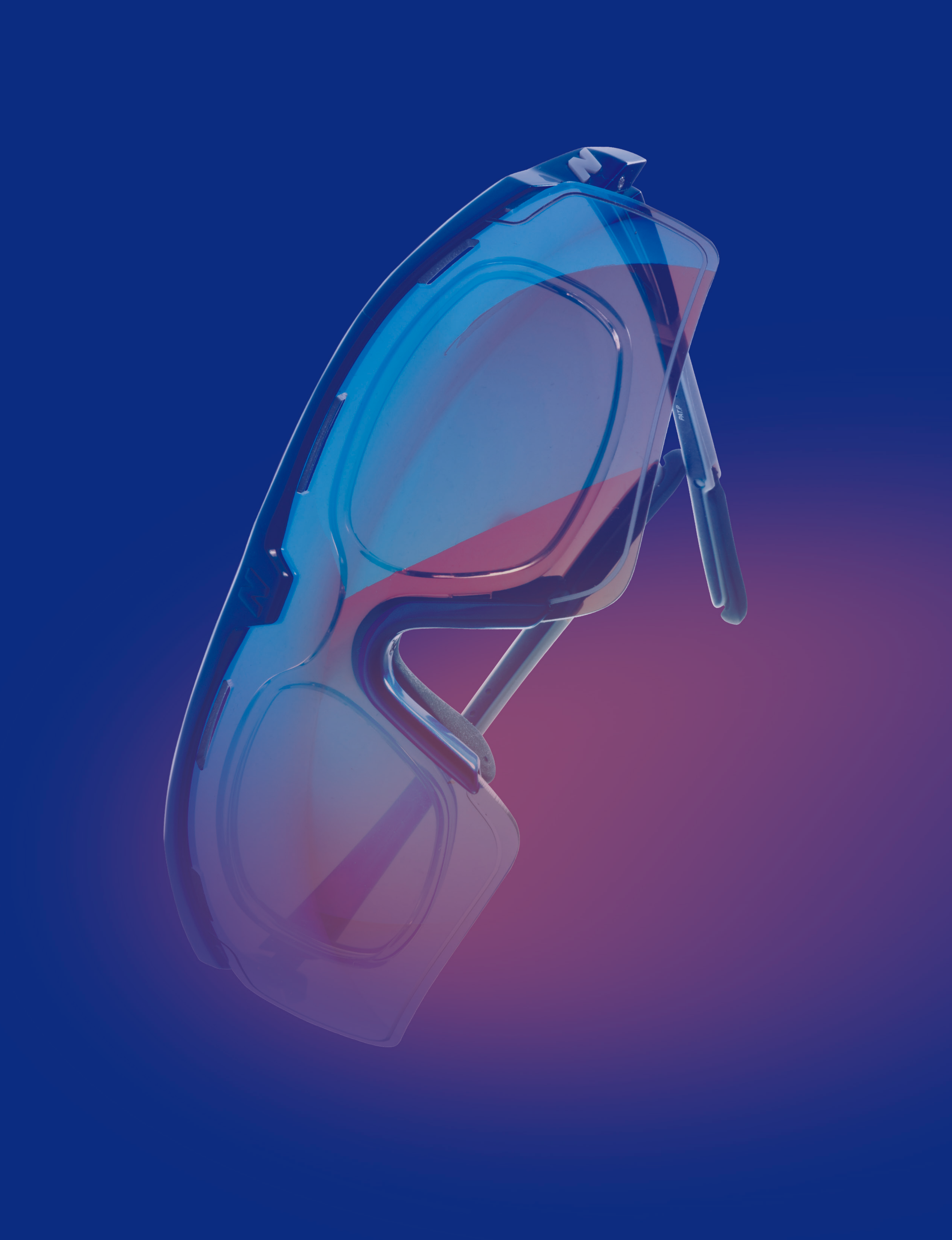
ANNUAL REPORT

2019/2020年報

STOCK CODE 股份代號：125

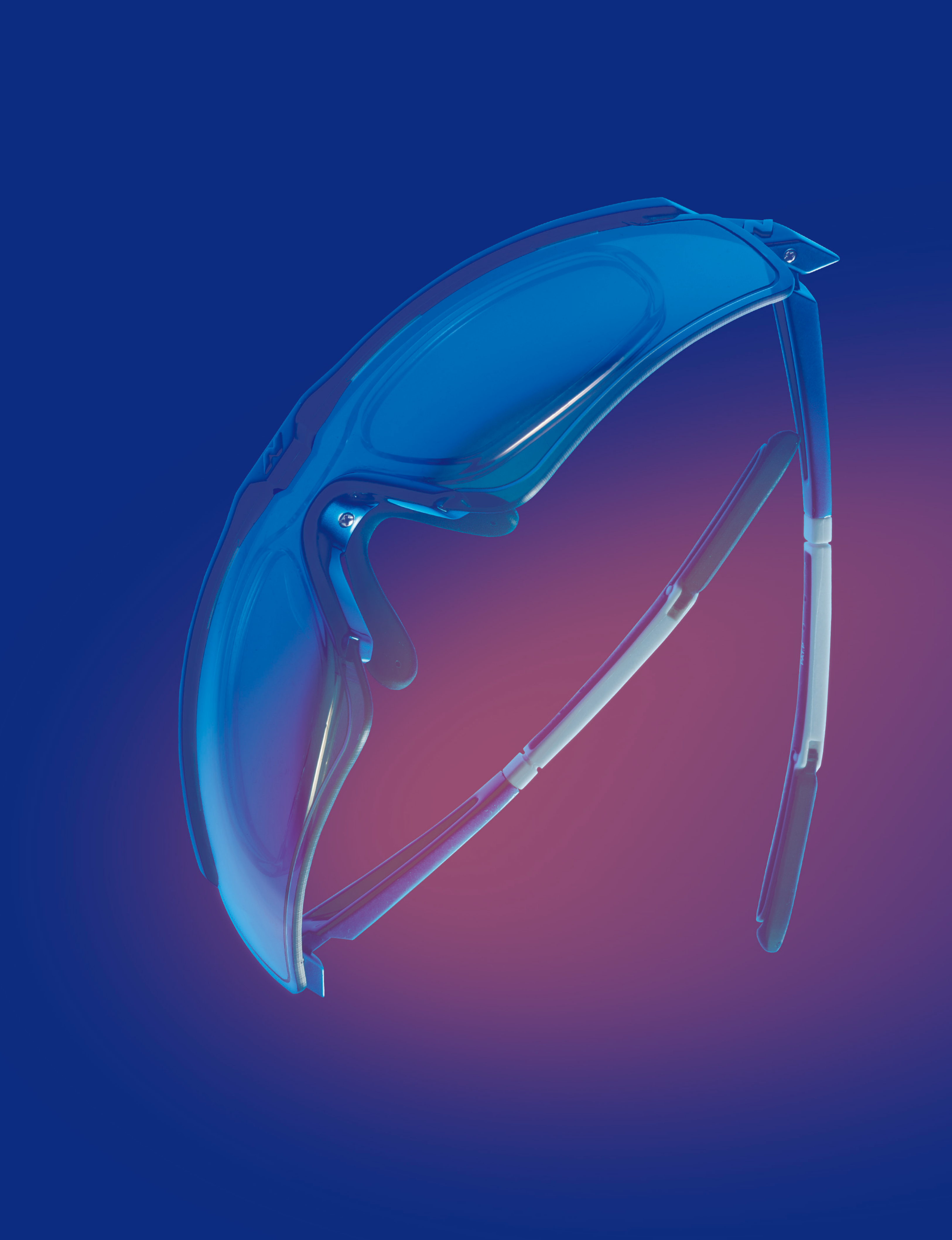
SUN HING VISION GROUP HOLDINGS LIMITED

Contents



About Sun Hing

Sun Hing is a leading ODM manufacturer in the eyewear industry. With our decades of technical experience and unique approach of product development, we are now key partner of the world's largest eyewear distributors, optical chains and fashion brands. In addition to being an ODM manufacturer, Sun Hing also engages in distributing branded eyewear products that bear licensed trademarks and house label. Our brand portfolio for distribution business includes reputable brand names such as agnès b., Jill Stuart, Kenzo, Levi's and New Balance.

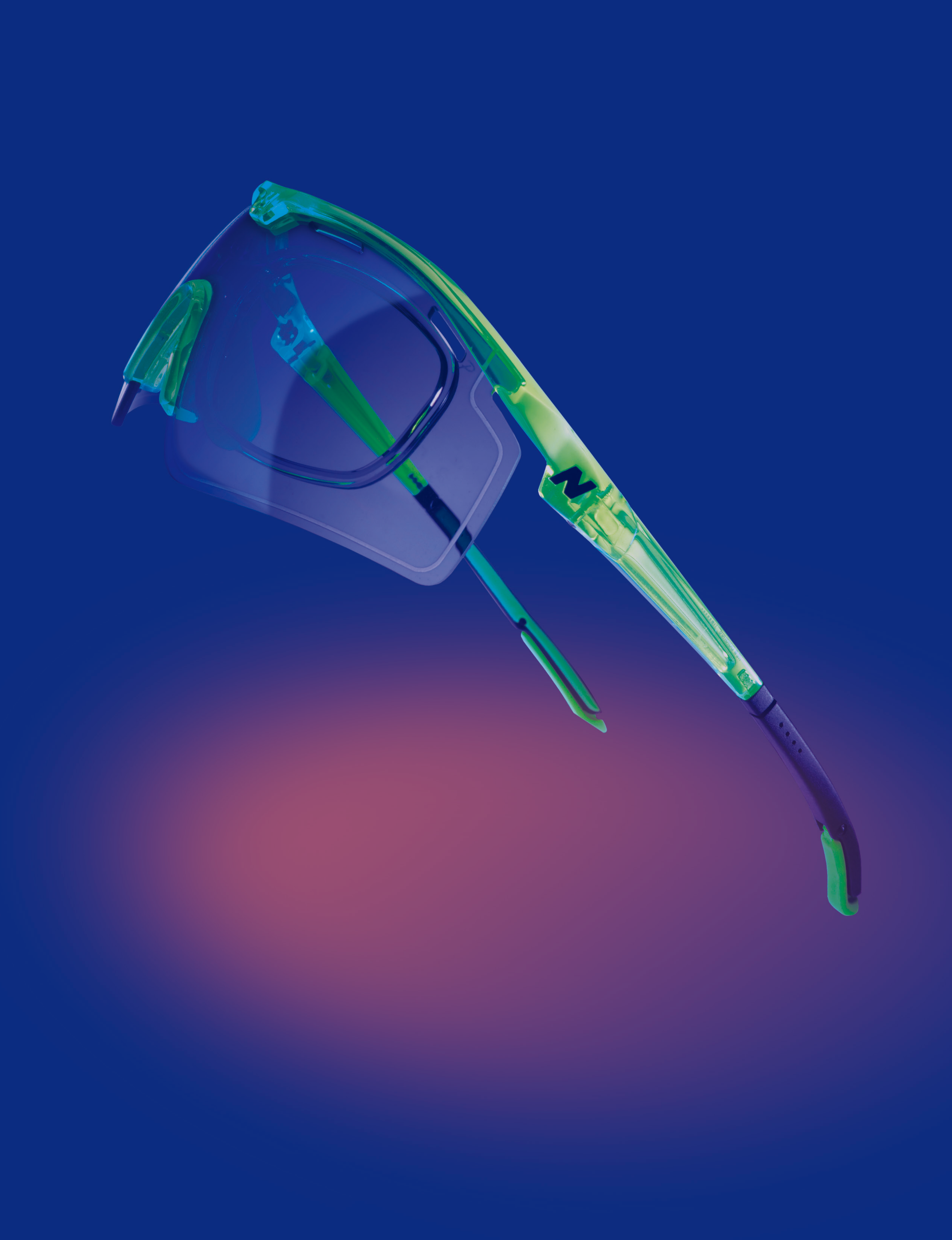


Innovation

Sun Hing is devoted to be innovative. We are committed to creating stunning eyewear products which combine exciting ideas with functionality. Our design team is full of talents who have a strong sense of fashion and are conscious to end user experience. We dare to use creative materials and apply ground-breaking design elements when we re-imagine what an eyewear should be during the product development process. We never stop to explore new ways to make eyewear products with amazing features that market loves.

Focus on Customers

We believe that every customer is our long term partner to grow. We are dedicated to provide our customers with the best experience through premium quality products, timely delivery, value-added technical advice and responsive after-sale service. Our product solution is thoughtfully designed and carefully executed to respond to our customers' needs. We understand our customers well and target to seamlessly integrate into their supply chains. We are proud to take a part in our customers' stories to succeed.



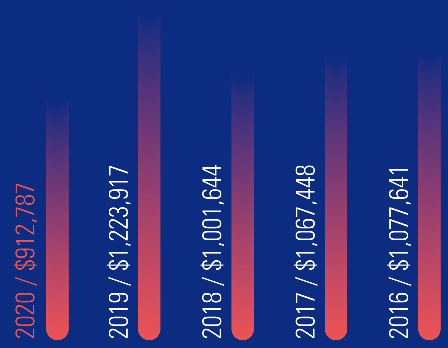
Professionalism

Sun Hing has decades of experience in making premium eyewear products. Our production team is equipped with solid industrial knowledge that allows us to handle even the most technically challenging eyewear products. Continuous improvement is a cornerstone of Sun Hing's production philosophy. We periodically review and continuously streamline our manufacturing processes with an aim to optimize our operating efficiency and achieve sustainable growth.

FINANCIAL HIGHLIGHTS

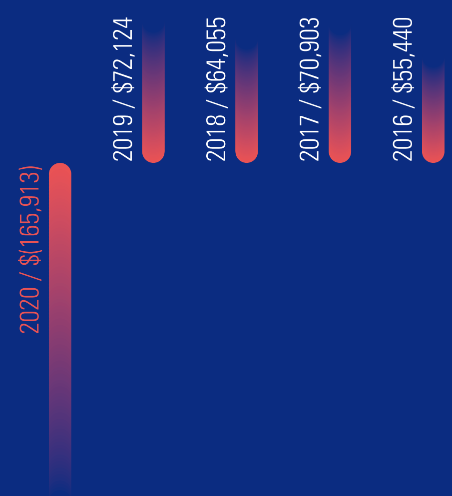
Revenue

(HK$'000) for year ended 31 March



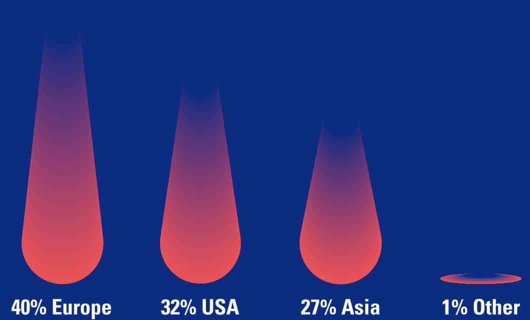
(Loss) Profit Attributable to Owners of the Company

(HK$'000) for year ended 31 March



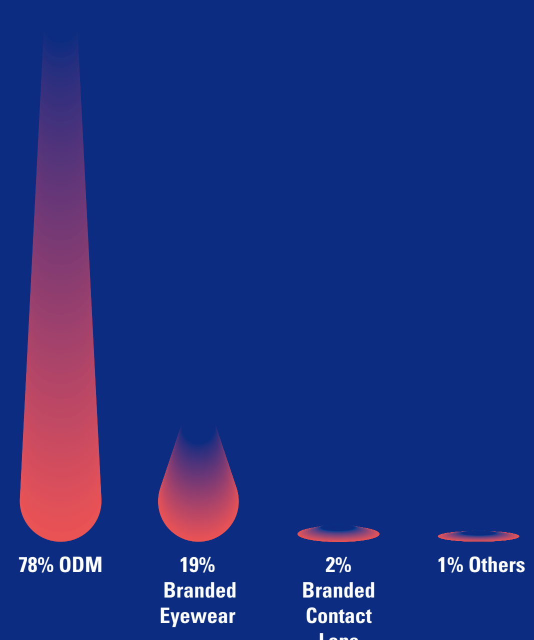
Revenue by Geographical Area

for year ended 31 March 2020



Revenue by Business Division

for year ended 31 March 2020



LETTER TO SHAREHOLDERS

The board of directors (the "Board") of Sun Hing Vision Group Holdings Limited (the "Company") hereby announce the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The business environment was extremely challenging during the year under review. The demand for the Group's eyewear products was adversely affected by various significant incidents including the trade war between China and the United States as well as the global outbreak of coronavirus. This, together with the significant reduction of revenue from the Group's contact lens business, resulted in a substantial decline of the Group's consolidated turnover by 25.42% to HK$913 million (2019: HK$1,224 million) for the year ended March 2020.

In comparison to the consolidated net profit of HK$72 million in the preceding fiscal year, the Group recorded a total loss attributable to owners of the Company of HK$166 million and loss per share of HK63 cents for the year ended 31 March 2020 due to a number of factors. Firstly, a non-cash impairment loss of HK$130 million for long-lived assets, and a non-cash net impairment loss of HK$14 million for trade receivables were recorded upon assessment of the impacts of the tough business environment and increased uncertainty on the Group's business for manufacturing and trading of eyewear products. Secondly, the Group's operating profitability was adversely affected by the diseconomies of scale of operation as a result of the substantial decline in consolidated turnover. In addition, the continuously rising labor costs in Southern China, the intensified market competition in the industry and the fact that the Group could not immediately adjust its fixed costs in response to the sudden reduction in market demand all undermined the Group's operating profitability during the year under review. Excluding the impairment losses for long-lived assets and trade receivables as mentioned above, the Group's loss attributable to owners of the Company would be approximately HK$22 million during the year under review.

THE ODM BUSINESS

For the year ended 31 March 2020, turnover from the Group's original design manufacturing ("ODM") business decreased by 18.79% to HK$713 million (2019: HK$878 million), which accounted for approximately 78.01% of the Group's total consolidated turnover. Such decrease was a result of various factors. First, the outbreak of the coronavirus in February 2020 caused the temporary suspension of the Group's factories in China, which disrupted the Group's sales and shipment plan in the fourth quarter of 2019/20 fiscal year. The Group's customers in Europe and the United States also delayed some of their shipments as a result of the coronavirus outbreak in their respective countries in February and March 2020. Secondly, for the market of the United States, the general consumer confidence was fragile as the business landscape was clouded by the intense US-China trade relation. The US government imposed a tariff of 15% on Chinese eyewear products in September 2020 and later adjusted the tariff rate to 7.5% in February 2020 upon the conclusion of the first phase of US-China trade negotiation. The new tariff brought additional sourcing costs to the Group's US customers, and made them very cautious when making purchase decisions. Furthermore, in the market of Europe, customers were very prudent in order placement due to the sluggish retail sales in general within the region, as well as the deterioration in macroeconomic environment and business uncertainty caused by the trade dispute between China and the United States as mentioned above and the Brexit issue of the United Kingdom. Also certain customers of the Group in the region consolidated their own brand portfolios, which affected their orders for the Group. As a result, the Group's ODM turnover to the United States and Europe decreased by 8.14% and 29.39% to HK$282 million (2019:HK$307 million) and HK$370 million (2019: HK$524 million) respectively. The Group continued to maintain a relatively balanced market and product mix in its ODM business. Geographically, Europe and the United States accounted for 51.89% and 39.55% (2019: 59.68% and 34.97%) of the Group's total ODM turnover respectively. In terms of product mix, sales of metal frames, plastic frames and others accounted for 47%, 52% and 1% (2019: 50%, 49% and 1%) of the Group's total ODM turnover respectively.

THE BRANDED EYEWEAR DISTRIBUTION BUSINESS

For the year ended 31 March 2020, turnover from the Group's branded eyewear distribution business

LETTER TO SHAREHOLDERS (CONTINUED)

decreased by 12.68% to HK$179 million (2019: HK$205 million), which accounted for approximately 19.58% of the Group's total consolidated turnover. The deteriorating performance of the Group's branded eyewear distribution business was mainly due to the sudden drop of product demand in China in the last quarter of 2019/20 fiscal year as a result of the coronavirus crisis. In February 2020, the Chinese government introduced various measures on social distancing, quarantine and travel restrictions in order to contain the coronavirus outbreak. Those measures were carried out in an unprecedented scale which completely locked down the major cities of China and stopped most of the economic activities. Since China has been the most important growth driver of the Group's branded eyewear distribution business, the Group's performance was highly negatively affected. Meanwhile, the subsequent spread of coronavirus to other Asian countries like Korea, Thailand and Japan led to further negative impact on the Group's branded eyewear distribution business as some of the Group's shipments to these countries were suspended due to city lockdown there. During the year under review, Asia continued to be the major market of the Group's branded eyewear distribution business. It contributed about 96.65% of the Group's total branded eyewear distribution business.

THE BRANDED CONTACT LENS BUSINESS

For the year ended 31 March 2020, the Group's turnover from its branded contact lens business significantly decreased by 87.59% to HK$17 million (2019: 137 million), which accounted for 1.86% of the Group's total consolidated turnover. Such significant decrease in turnover was because the Group recorded a relatively high sales base in corresponding period last year as the distribution channels at that time needed a relative high level of initial inventories upon commencement of the contact lens business by the Group. Such initial stocking effect did no longer exist in the current fiscal year. In addition, the color contact lens products of the Group were of highly consumer discretionary and fashion oriented in nature. Their sales were highly affected by the deteriorating economic environment as consumers became more prudent on spending and started to cut their expenditures on non-essential goods during the year under review. These factors caused the significant drop of revenue from the Group's branded contact lens business.

OTHER BUSINESSES

The Group received income from external parties for trademark licensing and property rental, but such income contributed only a small portion of the Group's total consolidated turnover. For the year ended 31 March 2020, the income generated from the Group's licensing business in connection with Jill Stuart trademark was HK$2 million (2019: HK$2 million). The income generated from the Group's certain investment properties located in Hong Kong was HK$3 million (2019: HK$2 million)

LIQUIDITY AND CAPITAL RESOURCES

The Group continued to maintain a strong liquidity and financial position. It recorded a net cash inflow of HK$51 million from operations during the year under review. As at 31 March 2020, the Group held a cash and bank balance of HK$309 million. It had an outstanding bank borrowing of HK$45 million, which represented a mortgage loan repayable by installments over a period of 20 years with repayable on demand clause. The debt-to-equity ratio (expressed as a percentage of banking borrowings over equity attributable to owner of the Company) as at 31 March 2020 was 5.90%. The bank borrowing of the Group was secured by the Group's investment properties situated in Hong Kong.

As at 31 March 2020, the net current assets and current ratio of the Group were approximately HK$405 million and 2.6:1 respectively. The total equity attributable to owners of the Company decreased to HK$755 million as at 31 March 2020 from HK$953 million as at 31 March 2019 after the payment of interim dividend and loss attributable to the owners of the Company for the 2019/20 fiscal year. Debtor turnover period and inventory turnover period increased to a level of 83 days and 61 days respectively during the year under review because payments from and shipments to certain customers were delayed as a result of city lockdown in various European and Asian countries in March 2020. The Group believes that its trade receivables and inventories were still maintained at a reasonable and healthy level. It will closely monitor its debt collection and inventories in order to mitigate liquidity risks. The Directors are confident that the financial position of the Group will remain strong, and the Group has sufficient liquidity and financial resources to meet its present commitments and future business needs.

LETTER TO SHAREHOLDERS (CONTINUED)

DIVIDENDS

In light of the challenging business environment, the Directors do not recommend the payment of final dividend for the year ended 31 March 2020 (2019: final dividend of HK10.0 cents per share) in order to retain sufficient liquidity to prepare for the uncertainty ahead.

The Directors will continue to monitor the dividend policy closely to ensure that an optimal balance can be achieved between the retention of sufficient liquidity in the Group to prepare for the uncertainty ahead and the distribution of earnings to the shareholders respectively.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 10 August 2020 to 14 August 2020 (both days inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong ("Hong Kong Share Registrar") not later than 4:00 p.m. on 7 August 2020.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's transactions were conducted in the U.S. dollars, Hong Kong dollars and Renminbi. In addition, the majority of the Group's assets were also kept in these currencies. Other than the potential exposure to the fluctuation of Renminbi, the Group's exposure to currency fluctuation was relatively limited. The Group closely monitors the foreign exchange exposure and uses foreign exchange forward contracts and/or other appropriate tools to control the exposure in connection with Renminbi when appropriate.

HUMAN RESOURCES

The Group had a workforce of over 4,000 people as at 31 March 2020. The Group remunerates its employees based on their performance, years of service, work experience and the prevailing market situation. Bonuses and other incentive payments are granted on a discretionary basis based on individual performance, years of service and overall operating results of the Group. Other employee benefits include medical insurance scheme, mandatory provident fund scheme or other retirement benefit scheme, subsidised or free training programs and participation in the Company's share option scheme.

CHARGES ON GROUP'S ASSETS AND CONTINGENT LIABILITIES

Details of the charges on the Group's assets are set out in Note 29 to the consolidated financial statements. As at 31 March 2020, there were no significant contingent liabilities other than those disclosed in the consolidated financial statements.

CAPITAL COMMITMENTS

Details of the Group's capital commitments are set out in Note 36 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PROSPECTS

The Group anticipates that the business environment will be extremely challenging in 2020/21 fiscal year. There is no sign that coronavirus pandemic will come to an end in near future, and therefore there is no way to tell the full extent of its impact on both the overall economy and the Group as an individual enterprise. At the time of writing, coronavirus has spread to more than 100 countries and all of these countries are still subject to different degree of social distancing and travel restriction measures imposed by the respective local governments there. The Directors believe that coronavirus crisis will have profound impacts on consumer behavior. In long run, it may speed up the transformation of online distribution channels, which may create new

LETTER TO SHAREHOLDERS (CONTINUED)

business opportunities, but in short run it will make consumers staying at home and reduce discretionary spending. Coronavirus crisis may also significantly reduce the economic growth momentum of many countries, and that may take years to recover. Some economists even believe that the worldwide economy may face the worst recession since the Great Depression following the coronavirus outbreak. If it really happens, the upcoming economic downturn may significantly dampen the market demand, affect supply chain and exert cash flow pressure on enterprises. The Group also expects that the economic environment will be further hindered by the intense US-China trade relation. The governments of China and the United States concluded the first phase of trade deal in January 2020 which temporarily eased the trade tension between the two countries. However, the fundamental issues underlying the trade conflict have yet to be resolved, which cast high uncertainty on the next phrase of trade negotiation which is expected to take place in the future.

In response to the highly uncertain business environment, the Group will tighten its receivables and inventory control to maximize cash flow generated from operation. The Group currently maintains a strong financial position and has sufficient level of liquid assets, but it will further strengthen its credit risk management, reduce non-essential expenditures and optimize vendor trade terms in order to enhance efficiency of working capital. The Directors foresee that the product demand will be highly volatile in the months to come. The Group will therefore continue to maintain a flexible operating capacity so that its scale of operation can be swiftly adjusted according to the changing market demand. It will also enhance its capability to let our workforce work remotely out of office through technology and electronic means. This will allow the Group to prevent or minimize disruption in service as caused by any sudden events like city lockdown. On the cost side, the Group will further manage its cost structure to reduce the level of fixed costs through projects like the outsource of non-core services or operating processes, labor force optimization and production efficiency enhancement. With a lighter cost load, it is expected that it will be easier for the Group to preserve its profitability even in the toughest business environment. The Group will manage its capital expenditure in a very prudent manner, but without compromising the needs to strategically invest in future with diligence. In 2019/20 fiscal year, the Group started to execute a plan to set up a production facility in Vietnam. Although the project is currently deferred due to the coronavirus outbreak, the Group will resume the project once the situation becomes more certain. The new production facility in Vietnam will help the Group to diversify its production from Southern China and secure for the Group with a more stable product supply. Finally, the Group will continue to streamline the portfolio for its branded eyewear business by phasing out non-performing brands and acquiring new brands with high potential. During the year under review, the Group has obtained exclusive right to distribute Kenzo eyewear products in China. The new product line under the reputable brand name of Kenzo is strategically important to enrich the Group's product assortment at different price points. It is expected to contribute to the Group a new source of income.

Looking forward, the business environment will be full of uncertainty and challenges. We will carefully execute the plans and measures as mentioned above to improve profitability in the current difficult environment, preserve our financial strength and enhance the Group's long term competitiveness. Despite the challenging economic outlook, we are confident that the Group will overcome the difficulties ahead and continue to create long-term value for our various stakeholders, from customers, employees, suppliers to shareholders, and deliver the objective to achieve sustainable growth in the long run.

APPRECIATION

On behalf of the Board, we would like to thank our customers for their support during the year. We would also like to express our sincere appreciation to our shareholders, staffs, suppliers and bankers for their efforts and commitments.

Ku Ngai Yung, Otis	**Ku Ka Yung**
Chairman	*Deputy Chairman*

Hong Kong, 30 June 2020

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Ku Ngai Yung, Otis, aged 53, is the chairman and managing Director of the Group. He is also a director of certain Group members. Mr. Ku holds a bachelor of arts degree majoring in administrative and commercial studies from the University of Western Ontario, Canada. He joined the Group in June 1988. He is responsible for the Group's overall corporate policy making, strategic planning and business development. He is the brother of Mr. Ku Ka Yung.

Mr. Ku Ka Yung, aged 47, is the deputy chairman and chief financial officer of the Group. He is also a director of certain group members. Mr. Ku is responsible for the Group's accounting and financial management. He holds a bachelor of commerce degree from the University of Toronto, Canada and a master of business administration degree from McGill University, Montreal, Canada. He is a certified public accountant in the US and joined the Group in August 1996. He was also an independent non-executive director of Shenzhen Forms Syntron Information Co., Ltd. until February 2018, which is a company listed on the Shenzhen Stock Exchange. Mr. Ku is the brother of Mr. Ku Ngai Yung, Otis.

Mr. Chan Chi Sun, aged 54, is the executive Director responsible for the general administration of the Group. He also holds directorships and other positions of other Group members. Mr. Chan holds a bachelor degree from the University of Western Ontario, Canada. He joined the Group in June 1994. He is responsible for the overall administration of the Group and has extensive experience in information technology.

Ms. Ma Sau Ching, aged 58, is the executive Director responsible for the marketing development of the Group. She also holds position of other Group member. Ms. Ma holds a master of business administration degree in strategic marketing from the University of Hull, United Kingdom, and a diploma in management studies from the Hong Kong Polytechnic University. She joined the Group in December 1997.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Wa Kei, Roy, aged 49, has been an independent non-executive Director of the Group since 1 May 1999. He is a certified public accountant in Hong Kong and fellow member of Hong Kong Institute of Certified Public Accountants, CPA Australia and the Institute of Chartered Accountants in England and Wales. He was also the Divisional President 2019 – Greater China of CPA Australia, member of the Shanghai Pudong New Area Committee of the Chinese People's Political Consultative Conference and founding executive vice president and council member of the Hong Kong Independent Non-Executive Director Association. Mr. Lo has over twenty seven years of experience in auditing, accounting, risk management and finance. He is the managing partner of SHINEWING (HK) CPA Limited. He is also currently an independent non-executive director of China Oceanwide Holdings Limited, China Zhongwang Holdings Limited, Xinming China Holdings Limited, China Tonghai International Financial Limited, Wan Kei Group Holdings Limited and G-Resources Group Limited and was an independent non-executive director of Sheen Tai Holdings Group Company Limited until 29 May 2020. The above companies are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

Mr. Lee Kwong Yiu, aged 57, has over twenty years of experience in Hong Kong law as a qualified solicitor. He is now the principal of Philip K. Y. Lee & Co. Solicitors. He is also the Associate Member of the Chartered Institute of Arbitrators and is a China-Appointed Attesting Officer since 20 April 2006. Mr. Lee has been appointed as an independent non-executive Director since 1 May 2001. He was also an independent non-executive director of Tesson Holdings Limited until 26 April 2016, which is a company listed on the Stock Exchange.

Mr. Wong Che Man, Eddy, aged 60, has over twenty eight years of experience in the auditing and accounting profession. He is the sole proprietor of Eddy Wong & Co., Certified Public Accountants, and is also a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Wong has been appointed as an independent non-executive Director since 21 September 2004. He is currently an independent non-executive director of China All Access (Holdings) Limited, which is a company listed on the Stock Exchange.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain a high standard of corporate governance with a view to enhancing the management of the Company as well as to preserve the interests of the shareholders as a whole. The Board has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") and the Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). During the year ended 31 March 2020, the Company has complied with all applicable code provisions in the CG Code which were effective during the period between 1 April 2019 and 31 March 2020, except for the deviation from Code A.2.1, of the CG Code as described below in the "Chairman and Chief Executive Officer" section.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions on terms no less exacting than the required standard under the Model Code. Having made specific enquiry of all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 March 2020.

BOARD OF DIRECTORS

During the period between 1 April 2019 to 31 March 2020, the Board comprises of four executive Directors, namely Mr. Ku Ngai Yung, Otis (Chairman), Mr. Ku Ka Yung (Deputy Chairman), Mr. Chan Chi Sun and Ms. Ma Sau Ching and three independent non-executive Directors (representing at least one-third of the Board), namely Mr. Lo Wa Kei, Roy, Mr. Lee Kwong Yiu and Mr. Wong Che Man, Eddy.

Two of the independent non-executive Directors possess appropriate professional accounting qualifications and financial management expertise. All of the independent non-executive Directors have signed their respective confirmation letters to the Company confirming their independence as set out in rule 3.13 of the Listing Rules.

Biographical details of the Directors are set out in the section of Directors and Senior Management on page 13. The Board possesses a balanced mix of skills and expertise which supports the continuing development of the Company.

The Board conducted four Board meetings, all of such meetings were regular Board meetings in compliance with Code A.1.1 of the CG Code, for the year ended 31 March 2020. The attendance of each relevant Director is set out as follows:

Directors	Attendance Record
Mr. Ku Ngai Yung, Otis *(Chairman)*	4/4
Mr. Ku Ka Yung *(Deputy Chairman)*	4/4
Mr. Chan Chi Sun	4/4
Ms. Ma Sau Cing	4/4
Mr. Lo Wa Kei, Roy	4/4
Mr. Lee Kwong Yiu	4/4
Mr. Wong Che Man, Eddy	4/4

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Board is charged with responsibility of setting corporate policy and overall strategy for the Group and providing effective oversight of the management of the Group's business affairs. The Board also monitors the financial performance and the internal controls of the Group's business operation and reviews the Company's compliance with applicable laws and regulation. The implementation of strategy, management of daily operations and administration of the Group's affairs are delegated to the management team.

The Board is also responsible for performing the corporate governance function of the Company in accordance with written terms of reference that are consistent with the duties as set out in Code D.3.1 of the CG Code. During the year ended 31 March 2020, the Board has performed the duties and reviewed the corporate governance report and monitored the Company's compliance with the CG Code. The Board has also reviewed the Company's policies and practice on corporate governance.

Mr. Ku Ngai Yung, Otis is the brother of Mr. Ku Ka Yung.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code A.2.1 of the CG Code provides, inter alia, that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Company does not officially have a position of Chief Executive Officer. However, Mr. Ku Ngai Yung, Otis has been assuming the roles of both the Chairman and Chief Executive Officer of the Company. In this regard, the Company has deviated from Code A.2.1 of the CG Code. The Board intends to maintain this structure in the future as it believes that it would provide the Group with strong and consistent leadership and allow the Group's business operations, planning and decision making as well as execution of long-term business strategies to be carried out more effectively and efficiently. Nonetheless, the Board would review and monitor the situation on a regular basis and would ensure that the present structure would not impair the balance of power in the Company.

During the year ended 31 March 2020, the Chairman held a meeting with all the independent non-executive Directors without the presence of other Directors.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to Bye-law 87(1) of the bye-laws of the Company (the "Bye-laws"), at each annual general meeting of the Company, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation no later than the third annual general meeting after he was last elected or re-elected. Also, according to Bye-law 90 of the Bye-laws, a Director appointed to an office as managing director, joint managing director or deputy managing director shall also be subject to rotation, resignation and removal as the other directors of the Company.

Mr. Ku Ka Yung and Ms. Ma Sau Ching, both executive Directors, and Mr. Wong Chi Man, Eddy, an independent non-executive Director were re-elected as Directors at the 2019 annual general meeting for a term of no more than three years and subject to retirement by rotation in accordance with the Bye-laws.

Mr. Ku Ngai Yung, Otis and Mr. Chan Chi Sun, both executive Directors, and Mr. Lee Kwong Yiu, an independent non-executive Director, will retire at the forthcoming 2020 annual general meeting and will offer themselves for re-election. Their proposed term of office shall not be more than three years and is subject to retirement by rotation in accordance with the Bye-laws.

CORPORATE GOVERNANCE REPORT (CONTINUED)

CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

Under Code A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding, placing an appropriate emphasis on the roles, functions and duties of the Directors. During the year ended 31 March 2020, all Directors (other than Mr. Lo Wa Kei, Roy) attended a seminar on latest amendments to the Listing Rules organized by the Company and conducted by the Company's legal advisor, Messrs. King & Wood Mallesons. All Directors were also provided by the Company with materials designed for refreshing knowledge on Listing Rules and other relevant laws and regulations. Besides, Mr. Lo Wa Kei, Roy, Mr. Lee Kwong Yiu and Mr. Wong Che Man, Eddy participated in courses, seminars and other continuous professional development programs required for their professional practices. Details of the professional qualifications of each Director are set out in the section of Directors and Senior Management on page 13.

COMPANY SECRETARY

Mr. Lee Kar Lun, Clarence was appointed as the company secretary of the Company on 26 October 2012. He is a full time employee of the Group and possesses the professional qualifications as required under rule 3.28 of the Listing Rules. Mr. Lee Kar Lun, Clarence confirmed that he had undertaken not less than 15 hours of relevant professional training during the year ended 31 March 2020 in accordance with rule 3.29 of the Listing Rules.

REMUNERATION COMMITTEE

A remuneration committee (the "Remuneration Committee") was established by the Company with written terms of reference and currently comprises Mr. Lee Kwong Yiu (Chairman), Mr. Lo Wa Kei, Roy and Mr. Wong Che Man, Eddy, all of whom are independent non-executive Directors, as well as the human resources manager of the Group. The duties of the Remuneration Committee include, inter alia, making recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

Remuneration Committee Members	Attendance Record
Mr. Lee Kwong Yiu *(Chairman)*	2/2
Mr. Lo Wa Kei, Roy	2/2
Mr. Wong Che Man, Eddy	2/2

For the year ended 31 March 2020, the Remuneration Committee has reviewed and made recommendations to the Board on the remuneration packages of individual Directors and senior management and the overall remuneration policy of the Group and assessed performance of the Directors.

CORPORATE GOVERNANCE REPORT (CONTINUED)

AUDIT COMMITTEE

An audit committee (the "Audit Committee") has been established by the Company with written terms of reference to act in an advisory capacity and to make recommendations to the Board. The members of the Audit Committee comprise three independent non-executive Directors, who are Mr. Lo Wa Kei, Roy (Chairman), Mr. Lee Kwong Yiu and Mr. Wong Che Man, Eddy. Mr. Lo Wa Kei, Roy and Mr. Wong Che Man, Eddy are both qualified certified public accountants and possess the qualifications as required under rule 3.21 of the Listing Rules. None of the members of the Audit Committee is a member of the former or existing auditors of the Group. The Audit Committee has adopted the principles set out in the CG Code. The duties of the Audit Committee include review of the interim and annual reports of the Group, effectiveness of internal audit function as well as various auditing, financial reporting, risk management and internal control matters with the management and/or external auditor of the Company.

For the year ended 31 March 2020, the Audit Committee held two meetings. Attendance of each audit committee member is set out as follows:

Audit Committee Members	Attendance Record
Mr. Lo Wa Kei, Roy *(Chairman)*	2/2
Mr. Lee Kwong Yiu	2/2
Mr. Wong Che Man, Eddy	2/2

For the year ended 31 March 2020, the Audit Committee has performed the above duties, including making recommendations to the Board regarding risk management and internal control matters, and reviewing the interim and annual reports of the Group. The Group's consolidated financial statements for the year ended 31 March 2020 have been reviewed by the Audit Committee and audited by the Company's external auditor, Messrs. Deloitte Touche Tohmatsu.

AUDITOR'S REMUNERATION

For the year under review, the remuneration paid or payable to the Company's auditor, Messrs. Deloitte Touche Tohmatsu is set out as follows:

Type of Services	Fees paid/payable
Audit services	HKD1,550,000
Non-audit services	
Interim results review	HKD200,000
Tax compliance and advisory services	HKD165,000
Internal control review	HKD65,000

CORPORATE GOVERNANCE REPORT (CONTINUED)

NOMINATION COMMITTEE

A nomination committee (the "Nomination Committee") was established by the Company with written terms of reference. The Nomination Committee comprises Mr. Wong Che Man, Eddy (Chairman), Mr. Lo Wa Kei, Roy and Mr. Lee Kwong Yiu, all of whom are independent nonexecutive Directors, as well as the human resources manager of the Group. The duties of the Nomination Committee include, inter alia, the review of the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy. Moreover, in performing the duties, the Nomination Committee shall ensure that the Board has the appropriate balance of skills, experience and diversity of perspective appropriate to the requirements of the Company's business and that the Company makes relevant disclosure in accordance with the requirements of the Listing Rules.

The Company has adopted the policy related to nomination of the Directors. When a candidate is recommended and selected or when an existing Director is recommended and selected for re-election, decision will be made according to factors including such candidate's integrity, professional knowledge, industry experience and commitment to the Group's business in respect of time and attention. In addition, the Nomination Committee will also consider the long-term objective of the Group and the requirements as set out in Rule 3.13 of the Listing Rules (if applicable). Candidates are required to make appropriate disclosure to the Board to avoid any conflict of interests. Besides, the nomination procedures and processes are required to be conducted in an objective manner in accordance with the laws of Bermuda, the Bye-laws as well as other applicable regulations.

The Company has adopted policy concerning diversity of Board members. Under such a policy, selection of the candidates to the Board is based on the Company's business model and specific needs with reference to a range of diversity perspectives, including but not limited to gender, age, language, culture, education background, professional knowledge and industry experience. The Company believes that a balanced and diversified board composition will help to stimulate new ideas and enhance the quality of the Group's decision making process. For the year ended 31 March 2020, the Company maintained an effective Board comprised of members of different genders, professional background and industry experience. The Company's board diversity policy was consistently implemented.

For the year ended 31 March 2020, the Nomination Committee held one meeting. Attendance of each nomination committee member is set out as follows:

Nomination Committee Members	Attendance Record
Mr. Wong Che Man, Eddy *(Chairman)*	1/1
Mr. Lo Wai Kei, Roy	1/1
Mr. Lee Kwong Yiu	1/1

For the year ended 31 March 2020, the Nomination Committee has monitored and reviewed the nomination procedures and process for the nomination of Directors, reviewed the composition of the Board and made recommendation to the Board on matters related to election and retirement of the Directors. With the existing Board members coming from a variety of business and professional background, the Nomination Committee considers that the Board possesses a balance of skills, experience and diversity appropriate to the requirements of the Company's business.

CORPORATE GOVERNANCE REPORT (CONTINUED)

ACCOUNTABILITY, INSIDE INFORMATION, RISK MANAGEMENT AND INTERNAL CONTROL

The Directors acknowledge their responsibility to prepare financial statements for the financial year ended 31 March 2020 which give a true and fair view of the state of affairs of the Company and the Group and the results and cash flows of the Group. In preparing the financial statements for the year ended 31 March 2020, the Directors have adopted suitable accounting policies which are pertinent to the Group's operation and relevant to the financial statements, have made judgements and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis.

The Directors' responsibilities for the preparation of the financial statements, and the responsibilities of the auditor to the shareholders, are set out in the auditor's report on pages 31 to 36.

The Group has established policy and procedure for handling and dissemination of insider information. The policy requires sensitive information (if any) to be protected with high level of care and the persons receiving potential sensitive information are required to comply with the applicable laws, regulations and rules in respect of insider information. The Group follows the requirements of the Listing Rules and the Securities and Futures Ordinance when disclosing information to public. Inside information (if any) will be disseminated timely in a way which aims at preventing any person be placed in a privileged dealing position, letting the market be appropriately informed for the latest information, and allowing investors to have reasonable time to respond to such information.

It is the responsibility of the Board to ensure that the Group maintains sound and effective risk management and internal control system. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group's risk management system is established under a structured framework with clearly defined objective. A top-down approach and methodology is adopted to identify risk, assess and prioritize risk, develop risk response, monitor risk and report risk. The Group has set up appropriate governance body to enforce the risk management system. Risks are identified through periodic assessment performed by different departments of the Group following the preset program. Identified risks are then summarized, prioritized according to the risk assessment criteria as set out in the Group's risk policy, documented in report, and communicated within the Group to ensure that risk owners and action plans are properly assigned to the identified risks.

The Group's internal control system includes a well-defined management structure with limits of authority, comprehensive policies and standards. It is designed to help the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records, and ensure compliance with relevant legislation and regulations. The Group has a specified team which is responsible for the internal audit function. Its duties include ongoing monitoring of the Group's internal control system and exploring enhancement of the Group's operating efficiency.

CORPORATE GOVERNANCE REPORT (CONTINUED)

For the year ended 31 March 2020, the Board has conducted annual review to assess the effectiveness of the Group's risk management and internal control system through the following:

– reviewing the policy of the Group's risk management system;

– reviewing the risk reports prepared by the Group and evaluating the risk inventory list and the related action plan assigned for the identified risks;

– assessing the programs and findings of the team and governance body who are in charge of risk management system and internal audit function;

– conducting regular management meetings to discuss and handle the identified risks and internal control issues;

– reviewing the findings made by the auditor in respect of issues encountered during the processes of annual audit and interim review; and

– engaging a specialized division of Messrs. Deloitte Touche Tohmatsu to assess the internal controls in respect of certain key business operations of the Group.

Based on the results of the assessment, no major issue has been identified that indicates significant inadequacy and ineffectiveness on the Group's risk management and internal control system. Appropriate actions are being taken to address the areas for improvement identified.

GENERAL MEETING

For the year ended 31 March 2020, there was one general meeting (the annual general meeting). The attendance of each Director is set out as follows:

Directors	Attendance Record
Mr. Ku Ngai Yung, Otis *(Chairman)*	1/1
Mr. Ku Ka Yung *(Deputy Chairman)*	1/1
Mr. Chan Chi Sun	1/1
Ms. Ma Sau Cing	1/1
Mr. Lo Wa Kei, Roy	1/1
Mr. Lee Kwong Yiu	1/1
Mr. Wong Che Man, Eddy	1/1

CORPORATE GOVERNANCE REPORT (CONTINUED)

COMMUNICATION WITH SHAREHOLDERS

A shareholders communication policy was established in February 2012 (the "Shareholders Communication Policy"). In line with the Shareholders Communication Policy, information will be communicated to shareholders and the investment community mainly through the Company's financial reports (interim and annual reports) and environment, social and governance reports, annual general meetings and other general meetings that may be convened, as well as by making available all the published disclosure submitted to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and its other corporate communications. Shareholders and the investment community may at any time obtain the latest published financial reports and environment, social and governance reports of the Company through the websites of the Company and the Stock Exchange. The Board will maintain an on-going dialogue with the shareholders and the investment community, and will regularly review the Shareholders Communication Policy to ensure its effectiveness.

DIVIDEND POLICY

The Group adopts a dividend policy which aims at achieving an optimal balance between the retention of sufficient liquidity in the Group to prepare for the development ahead and the distribution of earnings to the shareholders of the Company. According to the adopted dividend policy, any declaration of dividends by the Company shall be conducted in accordance with the laws of Bermuda, the Bye-laws as well as other applicable regulations. In deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account factors including the Group's financial results, cash flows, cash and bank balance on hand and future business plans.

SHAREHOLDERS' RIGHTS

PROCEDURES BY WHICH SHAREHOLDERS CAN CONVENE A SPECIAL GENERAL MEETING

Shareholders of the Company are required to observe and fully comply with all applicable regulations and laws of Bermuda and the Byelaws in convening a special general meeting. Pursuant to the Bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the relevant provisions set out in the Companies Act 1981 of Bermuda (the "Act").

PROCEDURES BY WHICH ENQUIRIES MAY BE PUT TO THE BOARD

Shareholders may send their direct enquiries to the Board in writing by mail through the company secretary of the Company to the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda ("Registered Office") and the Company's principal place of business in Hong Kong at 1001C, 10th Floor, Sunbeam Centre, 27 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong ("Hong Kong Principal Office").

CORPORATE GOVERNANCE REPORT (CONTINUED)

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

Shareholders of the Company are required to observe and fully comply with all applicable regulations and laws of Bermuda and the Bye-laws in putting forward proposals at general meetings. In addition, shareholders of the Company are also required to comply with the following requirements unless they are contradicting to the laws and regulations of Bermuda. In case of contradiction, the regulations and laws of Bermuda shall prevail.

To put forward a proposal at a shareholders' meeting, shareholders are requested to submit a written request stating the resolution intended to be moved at the general meeting; or a statement with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting. The written request/statements must be signed by the shareholder(s) concerned and deposited at the Company's Registered Office and its Hong Kong Principal Office, for the attention of the company secretary of the Company. Proposals put forward at shareholders' meeting will be voted by poll pursuant to the Listing Rules and the results will be posted on the websites of the Stock Exchange and the Company after the relevant general meeting.

INVESTOR RELATIONS

There has been no significant change in the Company's constitutional documents during the year ended 31 March 2020.

DIRECTORS' REPORT

The Directors of Sun Hing Vision Group Holdings Limited (the "Company") present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 40 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 37.

An interim dividend of HK1.5 cents per share of the Company amounting to approximately HK$3,942,000.00 was paid to the shareholders of the Company during the year. The Directors do not recommend final dividend for the year ended 31 March 2020.

REVIEW OF THE GROUP'S BUSINESS AND KEY PERFORMANCE INDICATORS

A review of the Group's business and the related analysis of the Group's key performance indicators (including gross profit ratio, net profit ratio, gearing ratio, current ratio, debtor turnover period and inventory turnover period) are set out in the paragraph headed "Management Discussion and Analysis" of the "Letter to Shareholders" section on page 9. Indication of likely future development of the Group and the important events (if any) occurred since the end of the financial year are set out in the paragraph headed "Prospects" of the same section on page 11.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's operation and financial position may be affected by certain risks and uncertainties. Principal risks identified by the Group include market risk, credit risk and liquidity risk. Details of those risks are set out in note 33 to the consolidated financial statements. Details of uncertainties associated with accounting estimation are set out in note 4 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group and its business activities are subject to various laws and regulations, including Bermuda Companies Act 1981 (as amended), Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Group recognises the importance of regulatory compliance and has measures in place to ensure that the Group's operation complies with relevant laws and regulations which have a significant impact on the Group.

DIRECTORS' REPORT (CONTINUED)

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is dedicated to promote sustainable development in environment and has established policies that covers aspects including reduction of waste and energy consumption. It periodically monitors performance related to environmental policies. Further details of the Group's environmental policies and performance are set out in the Environmental, Social and Governance Report to be published separately.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK$42,991,000 to maintain the existing plants and upgrade production facilities. Details of these and other movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

KEY RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Directors are of the view that employees, suppliers and customers are important for the Group's development. The Group is dedicated to establish and has maintained long-term relationships with the above mentioned stakeholders.

The Group's relationship with its employees is based on the principal of trust and respect. It provides its employees with competitive remunerations package with reference to the prevailing market situation. A further discussion of the Group's human resources management is set out in the paragraph headed "Human Resources" of the "Letter to Shareholders" section on page 11.

The Group develops strategic relationship with its suppliers and customers and works together with them to achieve synergy. Further details of the Group's major customers and suppliers are disclosed under heading "Major Customers and Suppliers" below.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 67.69% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 20.72% of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers during the year were less than 30% of the Group's total purchases.

At no time during the year did a Director, an associate of a director or a shareholder of the Company (which to the knowledge of the Directors, owns more than 5% of the Company's issued share capital) has an interest in any of the Group's five largest suppliers or customers.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

DIRECTORS' REPORT (CONTINUED)

DISTRIBUTABLE RESERVE OF THE COMPANY

As at 31 March 2020, the Company's reserves available for distribution comprising retained profits of HK$52,495,000 (2019: HK$82,933,000).

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors:
Ku Ngai Yung, Otis *(Chairman)*
Ku Ka Yung *(Deputy Chairman)*
Chan Chi Sun
Ma Sau Ching

Independent non-executive Directors:
Lo Wa Kei, Roy
Lee Kwong Yiu
Wong Che Man, Eddy

In accordance with Bye-Laws 87(1) and 90 of the Company's bye-laws, Mr. Ku Ngai Yung, Otis, Mr. Chan Chi Sun and Mr. Lee Kwong Yiu will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All other remaining Directors continue in office.

The term of office of each executive and independent non-executive Director is not more than three years and subject to retirement by rotation in accordance with the Company's bye-laws.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company. Each of Mr. Ku Ngai Yung, Otis and Mr. Ku Ka Yung has entered into a service agreement with the Company for an initial term of two years commencing on 1 May 1999 and continuing thereafter until terminated by not less than three months' prior written notice served by either party.

Each of Mr. Chan Chi Sun and Ms. Ma Sau Ching has entered into a service agreement with the Company for an initial term of two years commencing on 14 December 2001 and continuing thereafter until terminated by not less than three months' prior written notice served by either party.

Each of the independent non-executive Directors, namely Mr. Lo Wa Kei, Roy, Mr. Lee Kwong Yiu and Mr. Wong Che Man, Eddy, has entered into a service agreement with the Company for an initial term of three years. The term of Mr. Lo Wa Kei, Roy commenced from 20 September 2004 and continuing thereafter until terminated by not less than three months' prior written notice served by either party. The term of Mr. Lee Kwong Yiu commenced from 4 September 2003 for a term of three years and continuing thereafter until terminated by not less than three months' prior written notice served by either party. The term of Mr. Wong Che Man, Eddy commenced from 21 September 2004 for a term of three years and continuing thereafter until terminated by not less than three months' prior written notice served by either party.

DIRECTORS' REPORT (CONTINUED)

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company and the Group were entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2020, the interests and short positions of the Directors and chief executives of the Company, and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

1. SHARES IN THE COMPANY (LONG POSITIONS)

	Number of ordinary shares held			Percentage of issued share capital of
Name of Directors	**Personal interest**	**Other interest**	**Total**	**the Company**
Ku Ngai Yung, Otis	–	143,033,828 *(Note i)*	143,033,828	54.43%
Ku Ka Yung	–	143,033,828 *(Note i)*	143,033,828	54.43%
Chan Chi Sun	1,526,000	–	1,526,000	0.58%
Ma Sau Ching	350,000	–	350,000	0.13%

Note:

(i) 143,033,828 ordinary shares of the Company were held by United Vision International Limited, which is ultimately and wholly-owned by The Vision Trust, a discretionary trust settled by Mr. Ku Ngai Yung, Otis and Mr. Ku Ka Yung, the discretionary objects of which include Mr. Ku Ngai Yung, Otis and his spouse, Mr. Ku Ka Yung and his spouse, and their respective children who are under the age 18.

2. UNDERLYING SHARES IN THE COMPANY (SHARE OPTIONS)

Details of the share options held by the Directors and chief executives of the Company are shown in the section under the heading "Share Options".

DIRECTORS' REPORT (CONTINUED)

Save as disclosed above, as at 31 March 2020, none of the Directors, chief executives, nor their associates, had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

Pursuant to a resolution passed on 6 September 2004, the Company's share option scheme adopted on 4 May 1999 (the "Old Share Option Scheme") was terminated and a share option scheme (the "2004 Share Option Scheme") was adopted in order to comply with the amendments to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in relation to share option schemes.

Pursuant to another resolution passed on 22 August 2014, the 2004 Share Option Scheme was terminated and another share option scheme (the "2014 Share Option Scheme") was adopted.

During the year ended 31 March 2020 and as at the date of this report, there was no share in respect of which share options had been granted and remained outstanding under the Old Share Option Scheme and the 2004 Share Option Scheme. No further share options can be granted upon termination of the Old Share Option Scheme and the 2004 Share Option Scheme.

Under the 2014 Share Option Scheme, the maximum number of shares available for issue is 10% of the issued share capital of the Company. No share options have been granted, exercised, cancelled or lapsed under the 2014 Share Option Scheme since its adoption. Unless approved by the shareholders of the Company in general meeting in the manner prescribed in the Listing Rules, the board of directors shall not grant share options to any grantee if the acceptance of those share options would result in the total number of the shares issued and to be issued upon exercise of the share options granted including those granted (whether or not cancelled) under the 2014 Share Option Scheme and to be granted to such grantee (including exercised, cancelled and outstanding share options) in any 12-month period exceeding 1% of the issued share capital of the Company from time to time.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Share Options Scheme disclosed above, at no time during the year was the Company or any of its holding companies or subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance to which the Company or any of its holding companies or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT (CONTINUED)

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS UNDER THE SFO

As at 31 March 2020, the following parties (other than those disclosed under the headings "Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures" and "Share Options" above) were recorded in the register required to be kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company which is so far as known to any Director or chief executive of the Company:

Name	Number of Ordinary shares held	Percentage of the issued share capital of the company
Substantial Shareholders		
United Vision International Limited *(Note i)*	143,033,828	54.43%
Marshvale Investment Limited *(Note i)*	143,033,828	54.43%
HSBC International Trustee Limited *(Notes i & ii)*	143,033,828	54.43%
Ku Ling Wah, Phyllis *(Notes i , ii & iii)*	143,033,828	54.43%
Other persons		
FMR LLC *(Note iv)*	26,277,000	9.99%
Webb David Michael *(Notes v & vi)*	26,098,000	9.93%
Fidelity Puritan Trust *(Notes vii)*	20,999,000	7.99%
Preferable situation Assets Limited *(Note vi)*	18,346,000	6.98%

Notes:

(i) As at 31 March 2020, United Vision International Limited ("UVI") is wholly-owned by Marshvale Investments Limited ("Marshvale"). By virtue of UVI's interests in the Company, Marshvale is deemed to be interested in 143,033,828 shares of the Company under the SFO. Marshvale is wholly-owned by HSBC International Trustee Limited ("HSBC Trustee"). By virtue of Marshvale's indirect interests in the Company, HSBC Trustee is deemed to be interested in 143,033,828 shares of the Company under the SFO. Mr. Ku Ngai Yung, Otis and Mr. Ku Ka Yung are directors of UVI.

(ii) HSBC Trustee is the trustee of The Vision Trust, the discretionary trust settled by Mr. Ku Ngai Yung, Otis and Mr. Ku Ka Yung mentioned above. 143,033,828 shares of the Company were held indirectly by HSBC Trustee through UVI as mentioned in note (i) above.

(iii) Ms. Ku Ling Wah, Phyllis (sister of Mr. Ku Ngai Yung, Otis and Mr. Ku Ka Yung) is one of the discretionary objects of The Vision Trust, the discretionary trust settled by Mr. Ku Ngai Yung, Otis and Mr. Ku Ka Yung mentioned above. As at 31 March 2020, The Vision Trust ultimately and wholly owned UVI, which held 143,033,828 shares of the Company.

DIRECTORS' REPORT (CONTINUED)

(iv) According to a corporate substantial shareholder notice filed by FMR LLC on 3 March 2017 (with the date of the relevant event as set out in the corporate substantial shareholder notice being 27 February 2017), FMR LLC held 26,277,000 shares of the Company indirectly through FMR Co., Inc.. FMR Co., Inc. is wholly owned by Fidelity Management & Research Company, which is a wholly-owned subsidiary of FMR LLC. Of the above mentioned 26,277,000 shares of the Company held by FMR Co., Inc., 2,642,000 shares of the Company were held for Fidelity Management Trust Company, which is wholly-owned by FMR LLC, while 2,338,000 shares of the Company were held for Fidelity Investments Canada ULC, which is ultimately owned by certain employees and shareholders of FMR LLC. Those employees and shareholders of FMR LLC own 100% equity interest in Fidelity Canada Investors LLC, which owns 64% equity interest in 483A Bay Street Holdings LP. 483A Bay Street Holdings LP owns 100% equity interest in BlueJay Lux 1 S.a.r.l., which owns 100% equity interest in FIC Holdings ULC, which in turn owns 100% equity interest in Fidelity Investments Canada ULC.

(v) According to an individual substantial shareholder notice filed by David Michael Webb on 17 January 2020, as at 14 January 2020 (i.e. the date of the relevant event as set out in the individual substantial shareholder notice filed on 17 January 2020), of the 26,098,000 shares of the Company held by David Michael Webb, 9,212,000 shares of the Company were held directly by him, while 16,886,000 shares of the Company were held through his wholly owned company, Preferable Situation Assets Limited. By virtue of Preferable Situation Assets Limited's interest in the Company, David Michael Webb is deemed to be interested in the same 16,886,000 shares of the Company held by Preferable Situation Assets Limited under the SFO. (Please also see note vi below).

(vi) According to a corporate substantial shareholder notice filed by Preferable Situation Assets Limited on 18 October 2016, as at 13 October 2016 (i.e. the date of the relevant event as set out in the corporate substantial shareholder notice filed on 18 October 2016), Preferable Situation Assets Limited, which is wholly owned by David Michael Webb, held 18,346,000 shares of the Company. By virtue of Preferable Situation Assets Limited's interest in the Company, David Michael Webb is deemed to be interested in the same 18,346,000 shares of the Company held by Preferable Situation Assets Limited under the SFO.

(vii) According to a corporate substantial shareholder notice filed by Fidelity Puritan Trust on 4 January 2018, as at 29 December 2017 (i.e. the date of the relevant event as set out in the corporate substantial shareholder notice filed on 4 January 2018), 20,999,000 shares of the Company were held directly by Fidelity Puritan Trust.

All the interests stated above represent long position. Save as disclosed above, as at 31 March 2020, no other person had an interest or short position in the shares and underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO or was otherwise a substantial shareholder of the Company.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the remuneration committee of the Company (the "Remuneration Committee"), on the basis of their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and/or comparable market statistics.

The Company has adopted share option schemes as an incentive to Directors and eligible employees, details of the schemes are set out in note 31 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS' REPORT (CONTINUED)

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

EQUITY-LINKED AGREEMENT

Other than the information disclosed in this directors' report and the consolidated financial statements, no equity linked agreements were entered into by the Company during the year or subsisted at the end of the financial year under review.

PERMITTED INDEMNITY PROVISION

Pursuant to Bye-law 166(1) of the Bye-Laws of the Company, the Directors of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts.

The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Company throughout the year.

CORPORATE GOVERNANCE

The corporate governance report is set out on pages 14 to 22.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board
Ku Ngai Yung, Otis
Chairman

Hong Kong, 30 June 2020

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE MEMBERS OF SUN HING VISION GROUP HOLDINGS LIMITED
新興光學集團控股有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Sun Hing Vision Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 118, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Expected credit loss ("ECL") assessment of trade receivables	
We identified the ECL assessment of trade receivables as a key audit matter due to the significance of the balance to the consolidated statement of financial position as a whole, estimation uncertainty and the management judgment involved in the evaluation of ECL. As disclosed in notes 23 and 33 to the consolidated financial statements, the trade receivables carried at HK$207,696,000 (net of allowance for credit loss of HK$17,352,000 as at 31 March 2020). Net impairment losses of HK$14,108,000 was recognised in profit or loss during the year ended 31 March 2020. As disclosed in note 4 to the consolidated financial statements, except for gross carrying amounts of trade receivables with significant balances of HK$143,539,000 and credit-impaired of HK$449,000 are assessed for ECL individually, the Group uses provision matrix to calculate the ECL for the remaining trade receivables collectively. The provision rates are based on past due analysis as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration of both quantitative and qualitative information that is reasonable and supportable including forward-looking information that is available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered. Details of the ECL assessment of trade receivables are set out in note 33 to the consolidated financial statements.	Our procedures in relation to the ECL assessment of trade receivables included: • Understanding the key controls on how the management estimates loss allowance for credit loss for trade receivables; • Evaluating the independent qualified professional valuer's competence, capabilities and objectivity; • Assessing management's basis in identifying trade receivables with significant balances or credit-impaired and determining allowance for credit losses for these trade receivables with reference to the historical default rates and the reasonableness of the forward-looking information being considered; • Testing the integrity of information used by management to develop the provision matrix, including trade receivables ageing analysis as 31 March 2020, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices and goods delivery notes; • Evaluating the reasonableness of management judgement in determining allowance for credit loss for trade receivables as at 31 March 2020 including the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix with reference to historical default rates and forward-looking information; • Evaluating the disclosures regarding the ECL assessment of trade receivables in note 33 to the consolidated financial statements; and • Testing subsequent settlements of trade receivables, on a sample basis, by inspecting supporting documents in relation to cash receipt from trade debtors subsequent to the end of the current reporting period.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of the Identified Long-lived Assets (as defined below)	
We identified the impairment assessment of certain long-lived assets relating to the Group's business of manufacturing and trading of eyewear products, comprising principally certain of property, plant and equipment, right-of-use assets, intangible assets, deposits paid for acquisition of property, plant and equipment and right-of-use asset and deferred tax assets (the "Identified Long-lived Assets"), as a key audit matter as significant judgement by the management is required to assess the amount of impairment of these assets. During the year ended 31 March 2020, the management of the Group performed an impairment assessment of the Identified Long-lived Assets due to the indication for impairment as disclosed in note 4 to the consolidated financial statements. As at 31 March 2020, the Identified Long-lived Assets including the gross carrying amounts of property, plant and equipment, right-of-use assets, intangible assets, deposits paid for acquisition of property, plant and equipment and right-of-use asset and deferred tax assets were HK$271,277,000, HK$31,882,000, HK$29,658,000, HK$16,592,000 and HK$4,806,000, respectively, as set out in note 4 to the consolidated financial statements. As further disclosed in note 4 to the consolidated financial statements, for the purpose of assessing impairment, the recoverable amounts of these assets have been determined by the management of the Group based on value in use calculations using financial budgets based on past performance and expectation for market development, where the key inputs parameters include growth rates and discount rates. Based on the management's assessment, impairment losses of HK$130,000,000 of the Identified Long-lived Assets has been recognised in profit or loss for the year ended 31 March 2020.	Our procedures in relation to management's impairment assessment of the Identified Long-lived Assets included: • Understanding the Group's impairment assessment process, including impairment assessment model adopted and assumptions used; • Evaluating the independent qualified professional valuer's competence, capabilities and objectivity; • Engaging our internal specialists to review the reasonableness of the impairment assessment model adopted and assumptions used by the management of the Group; • Assessing the reasonableness of the management's estimate of the growth rates with reference to the historical performance and the latest budgets of the Group and market data; • Assessing the reasonableness of the discount rates used by management in determining the value in use, with reference to the current market risk-free rate of interest and the industry specific risk factors; and • Assessing the sensitivity analysis prepared by management on the significant assumptions to evaluate the extent of impact of these assumptions on the impairment assessment model.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR’S REPORT (CONTINUED)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chung Chi Man.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	NOTES	**2020 HK$'000**	2019 HK$'000
Revenue	*5*		
Goods		**908,369**	1,219,930
Leases		**2,872**	1,968
Royalty		**1,546**	2,019
Total revenue		**912,787**	1,223,917
Cost of sales		**(752,269)**	(959,267)
Gross profit		**160,518**	264,650
Other income, gains and losses	*6*	**(198)**	15,399
(Provision) reversal of impairment losses on trade receivables, net	*7*	**(14,108)**	339
Impairment losses on property, plant and equipment	*4*	**(112,000)**	–
Impairment losses on right-of-use assets	*4*	**(18,000)**	–
Selling and distribution costs		**(33,793)**	(38,670)
Administrative expenses		**(144,798)**	(156,956)
Share of (loss) profit of a joint venture	*20*	**(931)**	865
Finance costs	*8*	**(2,430)**	(878)
(Loss) profit before tax		**(165,740)**	84,749
Income tax expense	*9*	**(79)**	(12,230)
(Loss) profit for the year	*10*	**(165,819)**	72,519
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(2,296)**	(5,655)
Share of other comprehensive expense of a joint venture		**(13)**	(60)
		(2,309)	(5,715)
Total comprehensive (expense) income for the year		**(168,128)**	66,804
(Loss) profit for the year attributable to:			
Owners of the Company		**(165,913)**	72,124
Non-controlling interests		**94**	395
		(165,819)	72,519
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(168,112)**	66,451
Non-controlling interests		**(16)**	353
		(168,128)	66,804
(Loss) earnings per share	*14*		
Basic		**HK(63) cents**	HK27 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2020

	NOTES	**2020** **HK$'000**	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**159,577**	281,577
Right-of-use assets	*16*	**13,882**	–
Prepaid lease payments	*17*	**–**	2,950
Investment properties	*18*	**129,579**	134,701
Intangible assets	*19*	**51,508**	53,364
Interest in a joint venture	*20*	**50**	994
Deposits paid for acquisition of property, plant and equipment and right-of-use asset		**16,592**	5,036
Deferred tax assets	*21*	**4,806**	147
		375,994	478,769
CURRENT ASSETS			
Inventories	*22*	**125,865**	115,602
Trade and other receivables	*23*	**218,842**	256,457
Prepaid lease payments	*17*	**–**	91
Derivative financial instruments	*24*	**7**	325
Tax recoverable		**3,227**	3,283
Bank balances and cash	*25*	**308,806**	358,768
		656,747	734,526
CURRENT LIABILITIES			
Trade and other payables	*26*	**187,173**	199,677
Lease liabilities	*27*	**10,196**	–
Refund liabilities	*28*	**2,660**	4,056
Derivative financial instruments	*24*	**382**	152
Tax payable		**7,038**	6,319
Bank borrowings	*29*	**44,544**	46,508
		251,993	256,712
NET CURRENT ASSETS		**404,754**	477,814
TOTAL ASSETS LESS CURRENT LIABILITIES		**780,748**	956,583

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 MARCH 2020

	NOTES	**2020** **HK$'000**	2019 HK$'000
CAPITAL AND RESERVES			
Share capital	*30*	**26,278**	26,278
Share premium and reserves		**728,807**	927,139
Equity attributable to owners of the Company		**755,085**	953,417
Non-controlling interests		**416**	432
TOTAL EQUITY		**755,501**	953,849
NON-CURRENT LIABILITIES			
Lease liabilities	*27*	**18,996**	–
Deferred tax liabilities	*21*	**6,251**	2,734
		25,247	2,734
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**780,748**	956,583

The consolidated financial statements on pages 37 to 118 were approved and authorised for issue by the Board of Directors on 30 June 2020 and are signed on its behalf by:

Ku Ngai Yung, Otis
DIRECTOR

Ku Ka Yung
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 *(Note)*	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	HK$'000	HK$'000
At 1 April 2018	26,278	78,945	18,644	2,299	808,101	934,267	79	934,346
Profit for the year	–	–	–	–	72,124	72,124	395	72,519
Exchange difference arising on translation of foreign operations	–	–	–	(5,613)	–	(5,613)	(42)	(5,655)
Share of other comprehensive expense of a joint venture	–	–	–	(60)	–	(60)	–	(60)
Total comprehensive (expense) income for the year	–	–	–	(5,673)	72,124	66,451	353	66,804
Dividends recognised as distribution *(note 13)*	–	–	–	–	(47,301)	(47,301)	–	(47,301)
At 31 March 2019	26,278	78,945	18,644	(3,374)	832,924	953,417	432	953,849
(Loss) profit for the year	**–**	**–**	**–**	**–**	**(165,913)**	**(165,913)**	**94**	**(165,819)**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**(2,186)**	**–**	**(2,186)**	**(110)**	**(2,296)**
Share of other comprehensive expense of a joint venture	**–**	**–**	**–**	**(13)**	**–**	**(13)**	**–**	**(13)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(2,199)**	**(165,913)**	**(168,112)**	**(16)**	**(168,128)**
Dividends recognised as distribution *(note 13)*	**–**	**–**	**–**	**–**	**(30,220)**	**(30,220)**	**–**	**(30,220)**
At 31 March 2020	**26,278**	**78,945**	**18,644**	**(5,573)**	**636,791**	**755,085**	**416**	**755,501**

Note: Special reserve of the Group represents the difference between the aggregate amount of the nominal value of shares, the share premium and the reserves of subsidiaries acquired and the nominal amount of the shares issued by the Company pursuant to a group reorganisation.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before tax	(165,740)	84,749
Adjustments for:		
Allowance for inventories	1,946	14,129
Bank interest income	(4,481)	(3,626)
Share of loss (profit) of a joint venture	931	(865)
Interest on bank borrowings	1,022	878
Interest on lease liabilities	1,408	–
Depreciation of property, plant and equipment	51,344	50,527
Depreciation of investment properties	4,679	3,929
Depreciation of right-of-use assets	16,964	–
Amortisation of intangible assets	1,856	1,856
Fair value changes on derivative financial instruments	548	393
Loss on disposals of property, plant and equipment	118	456
Provision (reversal) of impairment losses on trade receivables, net	14,108	(339)
Impairment losses on property, plant and equipment	112,000	–
Impairment losses on right-of-use assets	18,000	–
Release of prepaid lease payments	–	91
Operating cash flows before movements in working capital	54,703	152,178
Increase in inventories	(14,579)	(17,352)
Decrease (increase) in trade and other receivables	24,696	(2,744)
(Decrease) increase in trade and other payables	(11,892)	14,203
(Decrease) increase in refund liabilities	(1,289)	506
Cash generated from operations	51,639	146,791
Income tax paid	(345)	(9,235)
NET CASH FROM OPERATING ACTIVITIES	51,294	137,556
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(40,543)	(57,901)
Deposits paid for acquisition of property, plant and equipment and right-of-use asset	(14,004)	(4,093)
Proceeds on disposals of property, plant and equipment	546	113
Interest received	4,481	3,626
Purchase of investment properties	–	(109,363)
NET CASH USED IN INVESTING ACTIVITIES	(49,520)	(167,618)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

	2020 HK$'000	2019 HK$'000
FINANCING ACTIVITIES		
Dividends paid	**(30,220)**	(47,301)
Repayment of principal of lease liabilities	**(16,283)**	–
Repayment of bank borrowings	**(1,964)**	(1,608)
Interest paid on lease liabilities	**(1,408)**	–
Interest paid on bank borrowings	**(1,022)**	(878)
New bank borrowings raised	**–**	48,116
NET CASH USED IN FINANCING ACTIVITIES	**(50,897)**	(1,671)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(49,123)**	(31,733)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**358,768**	391,383
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(839)**	(882)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**308,806**	358,768

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under The Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is United Vision International Limited, a company incorporated in the British Virgin Islands (the "BVI"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries and a joint venture are set out in notes 40 and 20 respectively.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

NEW AND AMENDMENTS TO HKFRSS THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

NEW AND AMENDMENTS TO HKFRSS THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (CONTINUED)

HKFRS 16 "Leases" (continued)

Definition of a lease (continued)

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review; and

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.31% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

NEW AND AMENDMENTS TO HKFRSS THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (CONTINUED)

HKFRS 16 "Leases" (continued)

As a lessee (continued)

	At 1 April 2019 HK$'000
Operating lease commitments disclosed as at 31 March 2019	53,221
Lease liabilities discounted at relevant incremental borrowing rates	42,933
Less: Recognition exemption – short-term leases	(70)
Practical expedient – Leases with lease term ending within 12 months from the date of initial application	(45)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 April 2019	42,818
Analysed as	
Current	16,842
Non-current	25,976
	42,818

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	42,818
Reclassified from prepaid lease payments *(note i)*	3,041
Adjustments on rental deposits at 1 April 2019 *(note ii)*	330
	46,189
By class:	
Leasehold lands	3,041
Leased buildings	43,148
	46,189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

NEW AND AMENDMENTS TO HKFRSS THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (CONTINUED)

HKFRS 16 "Leases" (continued)

As a lessee (continued)

Notes:

(i) Upfront payments for leasehold lands in the People's Republic of China (the "PRC") for own used properties were classified as prepaid lease payments as at 31 March 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$91,000 and HK$2,950,000 respectively were reclassified to right-of-use assets.

(ii) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, the discounting effect of HK$330,000 was adjusted to refundable rental deposits paid and right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 April 2019. The application has had no material impact on the Group's consolidated statement of financial position at 1 April 2019. However, effective 1 April 2019, lease payments relating to the revised lease term after modification are recognised as income on a straight-line basis over the extended lease term.

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under creditors and accruals. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. As at 1 April 2019, the discounting effect is insignificant.

(c) Effective on 1 April 2019, the Group has applied HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

NEW AND AMENDMENTS TO HKFRSS THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (CONTINUED)

HKFRS 16 "Leases" (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019	Adjustments	Carrying amounts under HKFRS 16 at 1 April 2019
	HK$'000	HK$'000	HK$'000
Non-current Assets			
Right-of-use assets	–	46,189	46,189
Prepaid lease payments	2,950	(2,950)	–
Current Assets			
Prepaid lease payments	91	(91)	–
Trade and other receivables	256,457	(330)	256,127
Current Liabilities			
Lease liabilities	–	16,842	16,842
Non-current Liabilities			
Lease liabilities	–	25,976	25,976

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

The directors of the Company consider the application of HKFRS 16 as a lessor has no material impact on the Group's consolidated statement of financial position as at 31 March 2020 and its consolidated statements of profit or loss and other comprehensive income and cash flow for the year ended 31 March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

NEW AND AMENDMENTS TO HKFRSS ISSUED BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[6]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[5]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[5]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[5]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2022
6 Effective for annual periods beginning on or after 1 June 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, "the Amendments to References to the Conceptual Framework in HKFRS Standards", will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

NEW AND AMENDMENTS TO HKFRSS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

NEW AND AMENDMENTS TO HKFRSS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards (continued)

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual period beginning on or after 1 April 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

Amendments to HKFRS 16 "Covid-19-Related Rent Concessions"

The amendment is effective for annual reporting periods beginning on or after 1 June 2020.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16) and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

INVESTMENT IN A JOINT VENTURE

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENT IN A JOINT VENTURE (CONTINUED)

The results and assets and liabilities of a joint venture is incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income or expense of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income or expense are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any assets, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Except for granting of a license that is distinct from other promised goods or services, control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

For granting of a licence that is distinct from other promised goods or services, the nature of the Group's promise in granting a licence is a promise to provide a right to access the Group's intellectual property if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;

- the rights granted by the licence directly expose the customer to any positive or negative effects of the Group's activities; and

- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

If the criteria above are met, the Group accounts for the promise to grant a licence as a performance obligation satisfied over time. Otherwise, the Group considers the grant of licence as providing the customers the right to use the Group's intellectual property and the performance obligation is satisfied at a point in time at which the licence is granted.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation – output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration (contracts with right of return/exchange and contract of license of trademarks), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Variable consideration (continued)

Notwithstanding the above criteria, the Group shall recognise revenue for a sales-based or usage-based royalty promised in exchange for a licence of intellectual property only when (or as) the later of the following events occurs:

- the subsequent sale or usage occurs; and

- the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied).

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

Sale with a right of return/exchange

For a sale of products with a right of return/exchange for dissimilar products, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned/exchanged);

(b) a refund liability; and

(c) an assets (and corresponding adjustment to cost of sales) for its right to recover products from customers.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;

- any lease payments made at or before the commencement date, less any lease incentives received;

- any initial direct costs incurred by the Group; and

- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (CONTINUED)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (continued)

Right-of-use assets (continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (CONTINUED)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (CONTINUED)

The Group as lessee (prior to 1 April 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight line basis over the lease terms.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

The Group as lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight line basis over the terms of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes (i.e. construction in progress) are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (before application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Deposits paid for acquisition of property, plant and equipment and right-of-use asset

Deposits paid for acquisition of property, plant and equipment and right-of-use asset are stated in the consolidated statement of financial position at cost less any subsequent accumulated impairment losses, if any. An item of deposits paid for acquisition of property, plant and equipment and right-of-use asset is transferred to property, plant and equipment or right-of-use asset upon receipt by the Group and is ready for its intended use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENT PROPERTIES

Investment properties are property held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

IMPAIRMENT ON PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT ON PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS (CONTINUED)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or the group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or the group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCIES (CONTINUED)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations with functional currency other than the presentation currency of the Group are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which cases, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

RETIREMENT BENEFIT COSTS

Payments to defined contribution retirement benefits scheme, state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme ("MPF Scheme") are charged as expenses when employees have rendered services entitling them to the contributions.

SHORT TERM EMPLOYEE BENEFITS

Short term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAXATION (CONTINUED)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BORROWING COST

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss and is included in the "other income, gains and losses" line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, deposits, other receivables, amounts due from entities controlled by non-controlling shareholders of a subsidiary and amount due from a non-controlling shareholder of a subsidiary and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL are assessed individually for debtors with significant balances and credit-impaired. The remaining debtors are assessed collectively with similar credit risks characteristics using a provision matrix based primarily on debtors' aging profiles.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade receivables and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment losses in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at amortised cost

Financial liabilities including bank borrowings and trade and other payables are subsequently measured at amortised cost using effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

RECOGNITION OF DEFERRED TAX

As at 31 March 2020, the Group provided deferred tax assets of HK$5,383,000 (2019: nil) in respect of HK$32,627,000 (2019: nil) of unused tax losses. No deferred tax assets have been recognised in respect of the remaining tax losses of HK$2,809,000 (2019: HK$3,463,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than or more than expected, a material reversal or recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or recognition takes place.

PROVISION OF ECL FOR TRADE RECEIVABLES

Except for trade receivables with significant balances and credit-impaired are assessed for ECL individually, the Group uses provision matrix to calculate ECL for the remaining trade receivables collectively. The provision rates are based on past due analysis by groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration both quantitative and qualitative information that is reasonable and supportable including forward-looking information that is available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 33 and 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

ESTIMATED IMPAIRMENT OF IDENTIFIED LONG-LIVED ASSETS

Certain long-lived assets of the Group's business of manufacturing and trading of eyewear products, comprising principally certain of the Group's property, plant and equipment, right-of-use assets, intangible assets, deposits paid for acquisition of property, plant and equipment and right-of-use asset and deferred tax assets (the "Identified Long-lived Assets"), are stated at costs less accumulated depreciation/amortisation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

During the year ended 31 March 2020, in view of the reduction of worldwide market demand for eyewear products due to the deterioration of the macroeconomic environment and the global outbreak of the coronavirus, the sales volumes of eyewear products and the average utilization rate of the Group's existing production capacity decreased. The management of the Group concluded that there was indication for impairment and conducted impairment assessments on the recoverable amounts of the Identified Long-lived Assets.

As at 31 March 2020, the aggregate carrying amounts of the Identified Long-lived Assets before impairment was HK$354,215,000, including certain property, plant and equipment, right-of-use assets, intangible assets, deposits paid for acquisition of property, plant and equipment and right-of-use asset and deferred tax assets of HK$271,277,000, HK$31,882,000, HK$29,658,000, HK$16,592,000 and HK$4,806,000 respectively. The recoverable amounts of certain of the Identified Long-lived Assets are estimated individually. The Group estimates the recoverable amount of the CGU of manufacturing and trading of eyewear products to which the Identified Long-lived Assets belong when it is not possible to estimate the recoverable amount of each of the Identified Long-live Assets individually.

The recoverable amounts of all of the Identified Long-lived Assets have been determined based on value in use calculation. The calculation uses pre-tax cash flow projections based on financial budgets approved by management of the Group covering a five-year period and discounted by pre-tax rates specific to the relevant CGU. The cash flows beyond the five-year period are extrapolated using growth rates which do not exceed the historical trend of the respective CGU nor the industry growth rates. Management determines the financial budgets based on past performance and its expectations for market developments, including the expectations of the macroeconomic outlooks in China and the countries in which the Group's major customers operate in, the market demand of the Group's eyewear products, among others. The growth rate beyond the five-year budget period and discount rate used for value in use calculation for the Identified Long-lived Assets as at 31 March 2020 are 2.3% and 14.66% respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

ESTIMATED IMPAIRMENT OF IDENTIFIED LONG-LIVED ASSETS (CONTINUED)

Based on the result of the assessment, management of the Group determined that the recoverable amount of the CGU is lower than the carrying amount. The impairment amount has been allocated such that the carrying amounts of the Identified Long-lived Assets are not reduced below the highest of their respective fair value less cost of disposal, value in use and zero. Based on the value in use calculation and the allocation, impairment losses of HK$112,000,000 and HK$18,000,000 (2019: nil), have been recognised against the carrying amounts of property, plant and equipment and right-of-use assets respectively.

5. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers is as follows:

	2020			2019		
Segments	**Eyewear products HK$'000**	**Contact lens HK$'000**	**Others HK$'000**	Eyewear products HK$'000	Contact lens HK$'000	Others HK$'000
Types of goods or services						
Manufacturing and trading of eyewear products	**891,608**	**–**	**–**	1,083,351	–	–
Trading of contact lens	**–**	**16,761**	**–**	–	136,579	–
Granting license of trademarks	**–**	**–**	**1,546**	–	–	2,019
	891,608	**16,761**	**1,546**	1,083,351	136,579	2,019
Timing of revenue recognition						
A point in time	**891,608**	**16,761**	**–**	1,083,351	136,579	–
Over time	**–**	**–**	**1,546**	–	–	2,019
Total	**891,608**	**16,761**	**1,546**	1,083,351	136,579	2,019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	2020 HK$'000	2019 HK$'000
Eyewear products	**891,608**	1,083,351
Contact lens	**16,761**	136,579
Others – royalty income	**1,546**	2,019
Revenue from contracts with customers	**909,915**	1,221,949
Operating lease income from investment properties in Hong Kong	**2,872**	1,968
	912,787	1,223,917

PERFORMANCE OBLIGATIONS FOR CONTRACT WITH CUSTOMERS

The Group manufactures and sells the eyewear products and contact lens to customers directly.

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specific location (delivery). Following delivery, the customers have full discretion over the manner of distribution and price to sell the goods, also have the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is mainly 30 to 120 days upon delivery. Under the Group's standard contract terms, customers may have a right to return/exchange for dissimilar products. The Group uses its accumulated historical experience to estimate the number of return/exchange. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur.

The Group also receives royalty income from granting license of trademarks. Revenue is recognised over time when subsequent sale of licensing products from licensee occurs over the licensing period. The normal credit term is 30 days upon the end of a licensing reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

TRANSACTION PRICE ALLOCATED TO THE REMAINING PERFORMANCE OBLIGATION FOR CONTRACT WITH CUSTOMERS

Eyewear products and contact lens are delivered within a period of less than one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Contracts for royalty income typically have a 3-years non-cancellable term in which the Group bills at a fixed rate for each licensing product. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has right to receive according to the relevant licensing agreement. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

SEGMENT INFORMATION

The Group's operating segments, identified based on information reported to the chief operating decision maker ("CODM"), being the executive directors of the Company, for the purposes of resources allocation and performance assessment, is as follows:

Eyewear products	–	manufacturing and trading of eyewear products
Contact lens	–	trading of contact lens products
Others	–	granting license of trademarks and leasing of investment properties in Hong Kong

Information regarding the above operating segments, which are also reportable segments of the Group, is reported below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the year ended 31 March 2020

	Eyewear products HK$'000	Contact lens HK$'000	Others HK$'000 *(Note)*	Elimination HK$'000	Consolidated HK$'000
SEGMENT REVENUE					
External sales	891,608	16,761	4,418	–	912,787
Inter-segment sales	–	–	5,052	(5,052)	–
	891,608	16,761	9,470	(5,052)	912,787
Segment results	(164,929)	819	2,891	–	(161,219)
Unallocated other income, gains and losses					4,778
Central administration costs					(5,938)
Share of loss of a joint venture					(931)
Finance costs					(2,430)
Loss before tax					(165,740)

Note: Included in others is royalty income from granting license of trademarks amounted to HK$6,598,000 which contains the related inter-segment sales amounting to HK$5,052,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

SEGMENT INFORMATION (CONTINUED)

For the year ended 31 March 2019

	Eyewear products HK$'000	Contact lens HK$'000	Others HK$'000 *(Note)*	Elimination HK$'000	Consolidated HK$'000
SEGMENT REVENUE					
External sales	1,083,351	136,579	3,987	–	1,223,917
Inter-segment sales	–	–	12,930	(12,930)	–
	1,083,351	136,579	16,917	(12,930)	1,223,917
Segment results	68,341	8,663	10,892	–	87,896
Unallocated other income, gains and losses					3,476
Central administration costs					(6,610)
Share of profit of a joint venture					865
Finance costs					(878)
Profit before tax					84,749

Note: Included in others is royalty income from granting license of trademarks amounted to HK$14,949,000 which contains the related inter-segment sales amounting to HK$12,930,000.

Inter-segment sales are charged at prevailing market rates or at terms determined and agreed by both parties.

Segment results represent the results of each segment without allocation of certain other income, gains and losses (mainly including bank interest income and loss on disposals of property, plant and equipment and others), central administration costs (mainly including directors' salaries), finance costs, and share of result of a joint venture.

No analysis of segment assets and liabilities is presented as they are not regularly reviewed by the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL INFORMATION

The Group's operations are located in Hong Kong and the Guangdong Province in the PRC. The Group's information about its non-current assets (excluding deferred tax assets) by geographical location of the assets and revenue from external customers analysed by the location of the customers are detailed below:

	Non-current assets	
	2020	2019
	HK$'000	HK$'000
Hong Kong	**172,030**	189,681
Guangdong Province in the PRC	**184,660**	287,947
Others	**14,498**	994
	371,188	478,622

	Revenue from external customers	
	2020	2019
	HK$'000	HK$'000
Hong Kong	**42,689**	44,527
The PRC	**81,999**	97,382
Japan	**64,952**	180,036
Italy	**318,957**	440,662
United States	**284,768**	309,415
Other countries	**119,422**	151,895
	912,787	1,223,917

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

INFORMATION ABOUT MAJOR CUSTOMERS

For the year ended 31 March 2020, three customers of the Group contributed more than 10% of the Group's revenue. Revenue attributed from these three customers was HK$188,811,000, HK$169,548,000 and HK$152,884,000 respectively. The revenue of the above customers was related to eyewear product segment. For the year ended 31 March 2019, four customers of the Group contributed more than 10% of the Group's revenue. Revenue attributed from these four customers was HK$276,393,000, HK$199,421,000, HK$179,824,000 and HK$136,579,000 respectively. Except for the last customer as mentioned above of which its revenue was related to contact lens segment, the revenue of the remaining three customers was related to eyewear product segment.

6. OTHER INCOME, GAINS AND LOSSES

	2020	2019
	HK$'000	HK$'000
Other income		
– Bank interest income	**4,481**	3,626
– Sales of scrap materials	**1,037**	1,308
– Government subsidies *(Note i)*	**604**	576
– Rental income from investment properties in the PRC *(Note ii)*	**133**	318
– Others	**415**	306
	6,670	6,134
Other gains and losses		
– Fair value changes on derivative financial instruments	**(548)**	(393)
– Loss on disposals of property, plant and equipment	**(118)**	(456)
– Net foreign exchange (losses) gains	**(6,202)**	10,114
	(6,868)	9,265
	(198)	15,399

Notes:

(i) Government subsidies mainly represents subsidies for participating in the local electricity saving scheme and employments related subsidies, which are credited to profit or loss upon receipt as no future related costs is expected to be incurred nor related to any assets.

(ii) The amount represents rental income recognised by a PRC subsidiary of the Company of which its principle business is not property rental business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

7. (PROVISION) REVERSAL OF IMPAIRMENT LOSSES ON TRADE RECEIVABLES, NET

	2020	2019
	HK$'000	HK$'000
Net (provision) reversal of impairment losses on:		
– Trade receivables	**(14,108)**	339

Details of impairment assessment are set out in note 33.

8. FINANCE COSTS

	2020	2019
	HK$'000	HK$'000
Interest expense on:		
Bank borrowings	**1,022**	878
Lease liabilities	**1,408**	–
	2,430	878

9. INCOME TAX EXPENSE

	2020	2019
	HK$'000	HK$'000
The charge (credit) comprises:		
Current tax		
– Hong Kong Profits Tax	**142**	7,146
– PRC Enterprise Income Tax ("EIT")	**1,901**	4,110
– United States Withholding Tax	**464**	606
	2,507	11,862
Overprovision in respect of prior years		
– Hong Kong Profits Tax	**(707)**	(2,237)
– PRC EIT	**(579)**	–
	(1,286)	(2,237)
Deferred taxation *(note 21)*		
– Current year	**(1,142)**	2,605
	79	12,230

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

9. INCOME TAX EXPENSE (CONTINUED)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the year ended 31 March 2019, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

PRC EIT is calculated at 25% of the assessable profits for subsidiaries established in the PRC in accordance with the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law. Pursuant to relevant laws and regulations in the PRC, a subsidiary of the Company is granted tax incentives for being qualified as a High and New Technology Enterprise and is entitled to a concessionary tax rate of 15% for 3 years from 2018 to 2020.

Under the Law of the United States on Income Tax, a withholding tax is required upon income earned by a non-United States resident enterprise. The withholding tax is calculated at 30% of royalty income earned in the United States for both years.

A portion of the Group's profits earned by a principal subsidiary incorporated in Hong Kong, which is taxed on 50:50 apportionment basis, neither arises in, nor is derived from, Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax. Further, in the opinion of the directors of the Company, that portion of the Group's profit is not at present subject to taxation in any other jurisdictions in which the Group operates for both years.

The income tax expense for the year can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 **HK$'000**	2019 HK$'000
(Loss) profit before tax	**(165,740)**	84,749
Tax at the Hong Kong Profits Tax rate of 16.5%	**(27,347)**	13,984
Tax effect of expenses not deductible in determining taxable profit	**3,159**	3,695
Tax effect of income not assessable in determining taxable profit	**(4,090)**	(3,491)
Tax effect of share of loss (profit) of a joint venture	**154**	(143)
Overprovision in respect of prior years	**(1,286)**	(2,237)
Tax effect of deductible temporary differences not recognised	**24,956**	–
Tax effect of Hong Kong Profits Tax on 50:50 apportionment basis	**4,136**	(120)
Tax effect of tax losses not recognised	**104**	239
Tax effect of utilisation of tax losses previously not recognised	**(54)**	(497)
Effect of different tax rates of operations in the PRC	**584**	1,700
Effect of tax exemptions granted to a PRC subsidiary	**(553)**	(1,341)
Income tax at concessionary rate	**(148)**	(165)
Withholding tax	**464**	606
Income tax expense for the year	**79**	12,230

Details of the deferred taxation are set out in note 21.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

10. (LOSS) PROFIT FOR THE YEAR

	2020 **HK$'000**	2019 HK$'000
(Loss) profit for the year has been arrived at after charging:		
Auditor's remuneration	**1,750**	1,398
Cost of inventories recognised as expense (inclusive of allowance for inventories of HK$1,946,000 (2019: HK$14,129,000))	**726,330**	943,916
Release of prepaid lease payments	**–**	91
Depreciation and amortisation		
– depreciation of property, plant and equipment	**51,344**	50,527
– depreciation of investment properties	**4,679**	3,929
– depreciation of right-of-use assets	**16,964**	–
– amortisation of intangible assets (included in cost of sales)	**1,856**	1,856
	74,843	56,312
Capitalised in inventories	**(34,575)**	(23,838)
	40,268	32,474
Staff costs		
– directors' emoluments *(note 11)*	**4,364**	5,241
– other staff costs, comprising mainly salaries	**404,349**	414,925
– retirement benefits scheme contribution excluding those of directors'	**43,078**	43,461
	451,791	463,627
Capitalised in inventories	**(308,507)**	(366,308)
	143,284	97,319

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the seven (2019: seven) directors, being the senior management of the Group, were as follows:

	Year ended 31 March 2020			
	Fees HK$'000	**Salaries and other benefits HK$'000**	**Retirement benefits scheme contribution HK$'000**	**Total HK$'000**
Executive directors				
Ku Ngai Yung, Otis	**521**	**207**	**25**	**753**
Ku Ka Yung	**678**	**48**	**24**	**750**
Chan Chi Sun	**802**	**294**	**47**	**1,143**
Ma Sau Ching	**892**	**342**	**52**	**1,286**
	2,893	**891**	**148**	**3,932**
Independent non-executive directors				
Lo Wa Kei, Roy	**144**	**–**	**–**	**144**
Lee Kwong Yiu	**144**	**–**	**–**	**144**
Wong Che Man, Eddy	**144**	**–**	**–**	**144**
	432	**–**	**–**	**432**
	3,325	**891**	**148**	**4,364**

	Year ended 31 March 2019			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
Executive directors				
Ku Ngai Yung, Otis	800	208	25	1,033
Ku Ka Yung	978	48	24	1,050
Chan Chi Sun	986	294	45	1,325
Ma Sau Ching	1,008	342	51	1,401
	3,772	892	145	4,809
Independent non-executive directors				
Lo Wa Kei, Roy	144	–	–	144
Lee Kwong Yiu	144	–	–	144
Wong Che Man, Eddy	144	–	–	144
	432	–	–	432
	4,204	892	145	5,241

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

The executive directors' emoluments shown above were for their directorship and/or their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The Company does not officially have a position of Chief Executive Officer. However, Mr. Ku Ngai Yung, Otis has been assuming the role of Chief Executive Officer. His emoluments disclosed above include those for services rendered by him as the role of Chief Executive Officer.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration in both years.

12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group during the year included four (2019: four) directors of the Company whose emoluments are set out in note 11. The emoluments of the remaining one (2019: one) individual was as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries and other benefits	**1,206**	1,313
Retirement benefits scheme contribution	**47**	44
	1,253	1,357

The number of the highest paid individual who is not the directors of the Company whose remuneration fell within the following band is as follows:

	2020 **Number of** **employee**	2019 Number of employee
HK$1,000,001 to HK$1,500,000	**1**	1

During the years ended 31 March 2020 and 2019, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

13. DIVIDENDS

	2020 **HK$'000**	2019 HK$'000
Dividends recognised as distribution during the year:		
Final, paid – HK10.0 cents per share for 2019 (2019: HK10.0 cents per share for 2018)	**26,278**	26,278
Special final, paid – nil for 2019 (2019: HK2.0 cents per share for 2018)	**–**	5,256
Interim, paid – nil for 2020 (2019: HK4.5 cents per share for 2019)	**–**	11,825
Special interim, paid – HK1.5 cents per share for 2020 (2019: HK1.5 cents per share for 2019)	**3,942**	3,942
	30,220	47,301

No final dividend in respect of the year ended 31 March 2020 has been proposed by the directors of the Company (2019: a final dividend of HK10 cents in total of HK$26,278,000).

14. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to owners of the Company is based on the following data:

	2020 **HK$'000**	2019 HK$'000
(Loss) earnings		
(Loss) earnings attributable to owners of the Company for the purposes of basic (loss) earnings per share	**(165,913)**	72,124
Number of shares		
Number of ordinary shares for the purposes of basic (loss) earnings per share	**262,778,286**	262,778,286

Diluted (loss) earnings per share is not presented for the years ended 31 March 2020 and 2019 as there was no potential ordinary share outstanding during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings in Hong Kong HK$'000	Leasehold land and buildings in the PRC HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST								
At 1 April 2018	8,043	111,844	266,530	484,165	154,343	10,317	6,062	1,041,304
Exchange adjustments	–	(826)	(69)	–	(101)	(17)	–	(1,013)
Additions	–	2,543	23,691	21,803	8,471	728	3,113	60,349
Transfer	–	–	5,431	–	–	–	(5,431)	–
Disposal/written off	–	–	–	(3,297)	(38)	(400)	–	(3,735)
At 31 March 2019	8,043	113,561	295,583	502,671	162,675	10,628	3,744	1,096,905
Exchange adjustments	–	(968)	(81)	–	(140)	(20)	–	(1,209)
Additions	–	–	17,198	16,197	3,653	717	5,226	42,991
Transfer	–	–	2,777	–	–	–	(2,777)	–
Disposal/written off	–	–	–	(79,432)	(15,091)	(1,459)	–	(95,982)
At 31 March 2020	8,043	112,593	315,477	439,436	151,097	9,866	6,193	1,042,705
DEPRECIATION AND IMPAIRMENT								
At 1 April 2018	3,284	27,363	208,738	385,000	135,718	7,994	–	768,097
Exchange adjustments	–	(37)	(21)	–	(69)	(3)	–	(130)
Provided for the year	161	2,231	18,239	22,889	6,176	831	–	50,527
Eliminated on disposals/write-off	–	–	–	(2,728)	(38)	(400)	–	(3,166)
At 31 March 2019	3,445	29,557	226,956	405,161	141,787	8,422	–	815,328
Exchange adjustments	–	(68)	(45)	–	(105)	(8)	–	(226)
Provided for the year	161	2,247	19,326	22,467	6,324	819	–	51,344
Impairment losses recognised in profit or loss	–	–	48,519	63,481	–	–	–	112,000
Eliminated on disposals/write-off	–	–	–	(78,782)	(15,091)	(1,445)	–	(95,318)
At 31 March 2020	3,606	31,736	294,756	412,327	132,915	7,788	–	883,128
CARRYING VALUE								
At 31 March 2020	4,437	80,857	20,721	27,109	18,182	2,078	6,193	159,577
At 31 March 2019	4,598	84,004	68,627	97,510	20,888	2,206	3,744	281,577

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The carrying amounts of owner-occupied leasehold land and buildings in the PRC of HK$12,753,000 (2019: HK$13,938,000) at the end of the year included both the leasehold land and building elements in property, plant and equipment, as in the opinion of the directors of the Company, allocations of the carrying amounts between the leasehold land and buildings elements cannot be made reliably. The land portions of the remaining owner-occupied properties were included in right-of-use assets (2019: prepaid lease payment).

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight line basis at the following rates per annum:

Land and buildings	Over the estimated useful lives of 50 years or the terms of leases, whichever is shorter
Leasehold improvements	10% – 20% or the lease terms, whichever is shorter
Plant and machinery	10% – 20%
Furniture and fixtures	20%
Motor vehicles	20%

Details of the impairment assessment of the Group's property, plant and equipment relating to the business of manufacturing and trading of eyewear products as at 31 March 2020 are set out in note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

16. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	Leased building HK$'000	Total HK$'000
As at 1 April 2019			
Carrying amount	3,041	43,148	46,189
As at 31 March 2020			
Carrying amount	2,950	10,932	13,882
For the year ended 31 March 2020			
Depreciation charge	91	16,873	16,964
Exchange adjustments	–	10	10
	91	16,883	16,974
Impairment losses	–	18,000	18,000
Expense relating to short-term leases and other leases with lease term end within 12 months of the date of initial application of HKFRS 16			502
Additions to right-of-use assets			2,667
Total cash outflow for leases			30,316

For both years, the Group leases various premises for its operations. Lease contracts are entered into for fixed term of 1 year to 10 years without any extension and termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for office equipment. As at 31 March 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Except for the leasehold land components which the Group is the registered owner, the remaining lease agreements entered into by the Group do not impose any covenants other than the security interests in the certain leased assets that are held by the lessor and the leased assets may not be used as security for borrowing purposes.

Details of the impairment assessment of the Group's right-of-use assets relating to the business of manufacturing and trading of eyewear products as at 31 March 2020 are set out in note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

17. PREPAID LEASE PAYMENTS

Prepaid lease payments as at 31 March 2019 represented land use rights held in the PRC and are analysed for reporting purposes as:

	HK$'000
Non-current asset	2,950
Current asset	91
	3,041

18. INVESTMENT PROPERTIES

The Group leases out various offices under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 2 years, with unilateral rights to extend the lease beyond initial period held by lessees only. The rental are fixed over the lease terms.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

18. INVESTMENT PROPERTIES (CONTINUED)

	HK$'000
COST	
At 1 April 2018	7,750
Additions	131,617
Exchange adjustments	(407)
At 31 March 2019	138,960
Exchange adjustments	(477)
At 31 March 2020	138,483
DEPRECIATION	
At 1 April 2018	349
Provided for the year	3,929
Exchange adjustments	(19)
At 31 March 2019	4,259
Provided for the year	4,679
Exchange adjustments	(34)
At 31 March 2020	8,904
CARRYING VALUE	
At 31 March 2020	129,579
At 31 March 2019	134,701

As at 31 March 2020, the fair value of the Group's investment properties situated in Hong Kong with carrying amount of HK$123,297,000 (2019: HK$127,835,000) was HK$127,400,000 (2019: HK$128,000,000). The fair value of the investment properties situated in Hong Kong was determined based on market comparable approach, where the prices per unit square feet of the property are assessed by reference to market evidence of transaction prices for similar properties in the same location and conditions in Hong Kong.

As at 31 March 2020, the fair value of the Group's investment properties situated in the PRC with carrying amount of HK$6,282,000 (2019: HK$6,866,000) was HK$6,800,000 (2019: HK$8,060,000). The fair value of the investment properties situated in the PRC was determined based on market comparable approach, where the prices per unit square meter of the property are assessed by reference to market evidence of transaction prices for similar properties in the same location and conditions in the PRC.

The fair values of the Group's investment properties at 31 March 2020 and 31 March 2019 have been arrived at on the basis of valuations carried out as at those dates by an independent qualified professional valuer of BMI Appraisals Limited, who is also a director of BMI Appraisals Limited and a member of the Hong Kong Institute of Surveyors and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

18. INVESTMENT PROPERTIES (CONTINUED)

The fair value measurements for all of the Group's investment properties as at 31 March 2020 and 2019 are categorised as level 3 (see note 3). There has been no change to the valuation technique as at 31 March 2020 and 2019.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use.

The above investment properties are depreciated on a straight line basis over the estimated useful lives of 50 years or the terms of leases, whichever is shorter.

At 31 March 2020, the Group's investment properties with a carrying amount of HK$123,297,000 (2019: HK$127,835,000) have been pledged to secure the bank borrowings granted to the Group.

19. INTANGIBLE ASSETS

	HK$'000
COST	
At 1 April 2018, 31 March 2019 and 2020	55,684
AMORTISATION	
At 1 April 2018	464
Charge for the year	1,856
At 31 March 2019	2,320
Charge for the year	1,856
At 31 March 2020	4,176
CARRYING VALUES	
At 31 March 2020	51,508
At 31 March 2019	53,364

Intangible assets represented trademarks purchased from an independent third party. The trademarks had finite useful lives and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method over the expected lives of the trademarks, which is determined to be 30 years.

Details of the impairment assessment of the Group's intangible assets as at 31 March 2020 are set out in note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

20. INTEREST IN A JOINT VENTURE

	2020 **HK$'000**	2019 HK$'000
Cost of investment in a joint venture, unlisted	**469**	469
Share of post-acquisition (loss) profit and other comprehensive (expense) income	**(419)**	525
	50	994

The Group's joint venture is accounted for using the equity method in these consolidated financial statements. Details of the Group's joint venture at the end of the reporting year is as follows:

Name of joint venture	Place of incorporation/ operation	Class of shares held	Issued and fully paid share capital	Proportion of nominal value of issued share capital held by the Group 2020 %	2019 %	Proportion of voting power held *(Note)* 2020 %	2019 %	Principal activity
Olona Crea Srl ("Olona")	Italy	Ordinary	Euro ("EUR") 100,000	**49**	49	**49**	49	Manufacturing of optical frames, sunglasses and related products

Note: Pursuant to the shareholders' agreement of Olona, the Group and the joint venturer can appoint 1 and 2 directors to the board of directors respectively. The decisions about the relevant activities of the joint venture require at least 75% voting in the board of directors of Olona. The directors of the Company therefore consider the Group and the joint venturer exercise joint control over the joint venture and accordingly, Olona is accounted for as a joint venture of the Group.

The management of the Group considers Olona to be not individually material. The summarised financial information of Olona is set out as follows:

	2020 **HK$'000**	2019 HK$'000
The Group's share of (loss) profit	**(931)**	865
The Group's share of other comprehensive expense	**(13)**	(60)
The Group's share of total comprehensive (expense) income	**(944)**	805

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

21. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020 **HK$'000**	2019 HK$'000
Deferred tax assets	**(4,806)**	(147)
Deferred tax liabilities	**6,251**	2,734
	1,445	2,587

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax (accounting) depreciation HK$'000	**ECL provision of trade receivables** HK$'000	**Unrealised profit** HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1 April 2018	(18)	–	–	–	(18)
Charge to profit or loss	2,605	–	–	–	2,605
At 31 March 2019	2,587	–	–	–	2,587
Charge (credit) to profit or loss	3,103	(1,164)	2,302	(5,383)	(1,142)
At 31 March 2020	5,690	(1,164)	2,302	(5,383)	1,445

At 31 March 2020, the Group has unused tax losses of HK$35,436,000 (2019: HK$3,463,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$32,627,000 (2019: nil) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$2,809,000 (2019: HK$3,463,000) due to the unpredictability of future profit streams. The entire balance of the unrecognised tax losses as at 31 March 2020 and 2019 may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

21. DEFERRED TAXATION (CONTINUED)

At the end of the reporting period, the Group has deductible temporary differences of HK$151,240,000 (2019: nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of the PRC, 10% withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards to non-PRC resident investors of the companies established in the PRC. For investors incorporated in Hong Kong, a preferential rate of 5% will be applied. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to such undistributed profits of the PRC subsidiaries amounting to HK$23,942,000 (2019: HK$17,466,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22. INVENTORIES

	2020	2019
	HK$'000	HK$'000
Raw materials	**39,475**	37,622
Work in progress	**50,608**	52,925
Finished goods	**35,782**	25,055
	125,865	115,602

23. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	HK$'000
Trade debtors from contracts with customers	**225,048**	245,320
Less: Allowance for credit losses	**(17,352)**	(3,668)
	207,696	241,652
Prepayments	**2,322**	2,703
Deposits	**3,559**	4,403
Value-added tax and other receivables	**4,765**	7,204
Amount due from entities controlled by non-controlling shareholders of a subsidiary *(Note)*	**500**	488
Amount due from a non-controlling shareholder of a subsidiary *(Note)*	**–**	7
	218,842	256,457

Note: The amounts were unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

Rental deposits paid were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in note 2.

The Group mainly allows a credit period of 30 to 120 days to its customers. No interest is charged on the trade receivables. As at 1 April 2018, trade receivables from contracts with customers amounted to HK$245,905,000.

The following is an aged analysis of trade receivables presented based on payment due date at the end of the reporting period:

	2020	2019
	HK$'000	HK$'000
Current	**187,672**	226,398
Overdue up to 90 days	**25,258**	12,975
Overdue more than 90 days	**12,118**	5,947
	225,048	245,320

Before accepting any new customers, the Group carries out research on the creditability of new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed at least once a year. Trade receivables that are neither past due nor impaired have good track records with the Group.

As at 31 March 2020, included in the Group's trade receivables balance are debtors with aggregate gross carrying amount of HK$37,376,000 (2019: HK$18,922,000) which are past due as at the reporting date. Out of the past due balances, HK$11,669,000 (2019: HK$4,811,000) has been past due 90 days or more and is not considered as in default since the management considered the past due balances can be repaid based on repayment history and taking into consideration of forward looking information.

Details of impairment assessment of trade and other receivables are set out in note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

24. DERIVATIVE FINANCIAL INSTRUMENTS

	2020	2019
	HK$'000	HK$'000
Foreign currency forward contracts		
– assets	**7**	325
– liabilities	**382**	152

The derivative financial instruments mainly represent the foreign currency forward contracts. The Group has entered into 8 (2019: 12) United States dollars ("US$")/Renminbi ("RMB") contracts in which the Group is able to sell US$/buy RMB at fixed exchange rates at a fixed future time. Major terms of the above foreign currency contracts are as below:

Aggregate notional amount	**Maturity**	**Forward exchange rates**
As at 31 March 2020		
US$4,080,000	April 2020 to May 2020	Sell US$/buy RMB at 7.007 to 7.112
As at 31 March 2019		
US$3,600,000	April 2019 to June 2019	Sell US$/buy RMB at 6.700 to 6.781

25. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits that are interest-bearing at market interest rates ranging from 0.01% to 2.15% (2019: 0.01% to 2.93%) per annum and have maturity of three months or less.

Details of the impairment assessment are set out in note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

26. TRADE AND OTHER PAYABLES

The Group is mainly granted a credit period of 30 days to 120 days from its suppliers. The following is an aging analysis of trade payables based on payment due date at the end of the reporting period:

	2020	2019
	HK$'000	HK$'000
Trade payables		
Current and overdue up to 90 days	**103,491**	99,175
Overdue more than 90 days	**8,961**	11,570
	112,452	110,745
Accruals	**59,291**	77,604
Amounts due to an entity controlled by non-controlling shareholders of a subsidiary *(Note)*	**25**	–
Deposits received from tenants	**–**	704
Value-added tax and other payables	**15,405**	10,624
	187,173	199,677

Note: The amounts were unsecured, interest-free and repayable on demand.

27. LEASE LIABILITIES

	2020
	HK$'000
Lease liabilities payable as at 31 March 2020:	
Within one year	**10,196**
Within a period of more than one year but not more than two years	**12,628**
Within a period of more than two years but not more than five years	**5,025**
Within a period of more than five years	**1,343**
	29,192
Less: Amount due for settlement within 12 months shown under current liabilities	**(10,196)**
Amount due for settlement after 12 months shown under non-current liabilities	**18,996**

Details of the lease maturity analysis of the Group's lease liabilities are set out in note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

28. REFUND LIABILITIES

	2020 HK$'000	2019 HK$'000
Arising from sales of products with a right of return	**2,660**	4,056

29. BANK BORROWINGS

	2020 HK$'000	2019 HK$'000
Secured bank borrowings, representing the mortgage loan	**44,544**	46,508

The carrying amounts of the bank borrowings that contain a repayment on demand clause (show under current liabilities) but repayable:		
Within one year	**2,026**	1,956
Within a period of more than one year but not exceeding two years	**2,071**	2,004
Within a period of more than two years but not exceeding five years	**6,483**	6,290
Within a period of more than five years	**33,964**	36,258
	44,544	46,508

The loan carries interest at variable market rate of 1.3% per annum above 1-month Hong Kong Interbank Offering Rate ("HIBOR"), with a cap interest of 3.1% below the Hong Kong dollar Prime Rate per annum quoted by the lending bank and are repayable by instalments over a period of 20 years with a repayable on demand clause.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2020	2019
Effective interest rate:		
Variable-rate borrowings	**2.24%**	2.28%

The loan is secured by the Group's investment properties with a carrying amount of HK$123,297,000 (2019: HK$127,835,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

30. SHARE CAPITAL

	Number of ordinary shares	Nominal amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 April 2018, 31 March 2019 and 31 March 2020	500,000,000	50,000
Issued and fully paid:		
At 1 April 2018, 31 March 2019 and 31 March 2020	262,778,286	26,278

31. SHARE OPTIONS

Pursuant to a resolution passed on 22 August 2014 by the Company, a share option scheme of the Company (the "Share Option Scheme") that complies the Listing Rules with the amendments to Chapter 17 of the in relation to share option scheme was adopted.

The purpose of the Share Option Scheme is to provide incentives to eligible employees. Under the Share Option Scheme, the board of directors of the Company shall be entitled to, in its absolute discretion, grant options to eligible employees of the Company, or any of its subsidiaries, to subscribe for shares in the Company at a price which shall be the highest of (i) the closing price of the Company's shares quoted on the Stock Exchange on the date of offer of the share options; (ii) the average of the closing prices of the Company's shares quoted on the Stock Exchange on the five business days immediately preceding the date of offer of the share options; and (iii) the nominal value of the shares. The Share Option Scheme will expire on 21 August 2024.

An option may be exercised at any time during the period to be determined and notified by the board of directors to the grantee. Such period may commence on the date after the date of acceptance of such option to the tenth anniversary from the date of acceptance of that option. A consideration of HK$1 is payable upon acceptance of the offer.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme established by the Company, if any, is 26,277,828, representing 10% of the issued share capital of the Company at the date of approval of the Share Option Scheme. The total maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme, if any, shall not exceed 10% of the issued share capital of the Company from time to time.

No share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern and to achieve optimisation of capital structure. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in note 29, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, share premium, reserves and retained profits.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of management of the Group, the Group will balance its overall capital structure through the payment of dividends and repayment of existing debt.

33. FINANCIAL INSTRUMENTS

(a) CATEGORIES OF FINANCIAL INSTRUMENTS

	2020	2019
	HK$'000	HK$'000
Financial assets		
Amortised cost	**521,177**	606,603
FVTPL		
Derivative financial instruments	**7**	325
Financial liabilities		
Amortised cost	**167,674**	166,448
FVTPL		
Derivative financial instruments	**382**	152
Lease liabilities	**29,192**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, derivative financial instruments, bank balances and cash, lease liabilities, bank borrowings and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain group entities have sales and purchases denominated in US$, RMB, EUR and Japanese Yen ("JPY") other than the functional currency of respective entities, which expose the Group to market risk arising from changes in foreign exchange rates.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities which included trade and other receivables, bank balances and cash and trade and other payables, excluding derivative financial instruments, at the reporting date are as follows:

	Assets		**Liabilities**	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**361,565**	467,087	**30,627**	28,207
RMB	**147,470**	40,560	**105,399**	43,512
EUR	**491**	1,120	**1,231**	1,888
JPY	**337**	178	**6,461**	1,979

Management of the Group monitors foreign exchange exposure and uses foreign exchange forward contracts and/or other appropriate tools to mitigate foreign currency exposure when necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to the fluctuation of relevant foreign currency against HK$.

The following table details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in the relevant foreign currency against the functional currency of the relevant group entities. 5% (2019: 5%) represents the reasonably possible change in foreign exchange rates if currency risk is to be assessed by key management. The sensitivity analysis includes only outstanding relevant foreign currency denominated monetary items, excluding derivative financial instruments, and except for US$ as the directors of the Company consider that the Group's exposure to US$ is insignificant on the ground that HK$ is pegged to US$. The sensitivity analysis adjusts their translation at the year end for a 5% (2019: 5%) change in foreign currency rates. A positive (negative) number below indicates a decrease (an increase) in post-tax loss (2019: an increase (a decrease) in post-tax profit) where the relevant foreign currency weakens 5% (2019: 5%) against HK$. For a 5% (2019: 5%) strengthening of the relevant foreign currency against HK$, there would be an equal and opposite impact on profit or loss.

	2020 **HK$'000**	2019 HK$'000
RMB impact	**(1,756)**	123
EUR impact	**31**	32
JPY impact	**256**	75

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 25) and bank borrowings (note 29).

The Group is also exposed to fair value interest rate risk in relation to lease liabilities (note 27).

Management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant as the management does not anticipate a material change in interest rate on bank balances.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's HK$ denominated bank borrowings.

Sensitivity analysis

As at 31 March 2020 and 31 March 2019, 50 basis points increase/decrease in HIBOR are used which represents management's assessment of the reasonably possible change in interest rates. The change was not significant to the consolidated financial statements. Accordingly, no sensitivity analysis was performed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, bank balances, deposits, amount due from entities controlled by non-controlling shareholders of a subsidiary, amount due from a non-controlling shareholder of a subsidiary and other receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. In addition, the Group performs impairment assessment under ECL model on trade balances. Except for those with significant balances and credit-impaired which are assessed for ECL individually, the Group calculates the ECL on the remaining balances collectively by using a provision matrix, group by past due analysis. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk with exposure limited to certain counterparties and customers. At the end of reporting period, the Group's five largest customers accounted for 66% (2019: 67%) of the Group's trade receivables.

Bank balances

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds are limited because the counterparties are banks with high credit ratings and quality.

Other receivables and deposits

The directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 March 2020 and 2019, the Group assessed the ECL for other receivables and deposits were insignificant and thus no loss allowance was recognised.

The Group has no concentration of credit risk on other receivables and the credit risk is limited because the counterparties have good repayment history.

Other than the concentration of the credit risk on trade receivables and bank balances, the Group does not have any other significant concentration of credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment (continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	NOTES	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount 2020 HK$'000	2019 HK$'000
Financial assets at amortised cost						
Bank balances	*25*	A to AA+	N/A	12m ECL	**307,745**	357,778
Deposits	*23*	N/A	*(Note i)*	12m ECL	**3,559**	4,403
Amounts due from entities controlled by non-controlling shareholders of a subsidiary	*23*	N/A	*(Note i)*	12m ECL	**500**	488
Amount due from a non-controlling shareholder of a subsidiary	*23*	N/A	*(Note i)*	12m ECL	**–**	7
Other receivables	*23*	N/A	*(Note i)*	12m ECL	**616**	1,285
Trade receivables – contract with customers	*23*	N/A	Low risk	Lifetime ECL	**24,718**	–
			Watch list	Lifetime ECL	**118,821**	–
			(Note ii)	Lifetime ECL (provision matrix)	**81,060**	244,184
			Loss	Lifetime ECL	**449**	1,136

Notes:

(i) For deposits, amounts due from entities controlled by non-controlling shareholders of a subsidiary, amount due from a non-controlling shareholder of a subsidiary and other receivables, the credit risk on the balances is low as they have good repayment history. Accordingly, the amount of ECL is insignificant.

(ii) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant balances and credit impaired are assessed individually, the Group calculates the ECL on the remaining debtors by using a provision matrix, grouped by past due analysis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment (continued)

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. Trade receivables with significant outstanding balances or were credit-impaired with gross carrying amounts of HK$143,539,000 and HK$449,000 respectively as at 31 March 2020 (2019: nil and HK$1,136,000 respectively) were assessed individually. Loss allowance for trade receivables with significant outstanding balances and credit-impaired were amounted to HK$6,706,000 and HK$449,000 (2019: nil and HK$1,136,000), respectively.

For the remaining debtors, in relation to its eyewear products, contact lens products and licensing operation which consist of common risk characteristics that are representative of the customers' and licensee's abilities to repay in accordance with the contractual terms are assessed collectively using a provision matrix based primarily on the debtors' ageing profiles. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 March 2020 and 2019 within lifetime ECL (not credit-impaired).

	2020		2019	
	Average loss rate	**Trade receivables HK$'000**	Average loss rate	Trade receivables HK$'000
Current (not past due)	**1.00%**	**45,458**	0.4%	226,391
Overdue up to 90 days	**25.10%**	**23,496**	1.5%	12,659
Overdue more than 90 days	**31.75%**	**12,106**	27.97%	5,134
		81,060		244,184

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment (continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 April 2018	–	4,279	4,279
Changes due to financial instruments recognised as at 1 April 2018:			
– write-offs	–	(50)	(50)
– Impairment losses reversed	–	(2,887)	(2,887)
New financial assets originated	2,548	–	2,548
Exchange adjustments	(16)	(206)	(222)
As at 31 March 2019	2,532	1,136	3,668
Changes due to financial instruments recognised as at 1 April 2019:			
– Impairment losses reversed	**(2,532)**	**(647)**	**(3,179)**
New financial assets originated	**17,287**	**–**	**17,287**
Exchange adjustments	**(384)**	**(40)**	**(424)**
As at 31 March 2020	**16,903**	**449**	**17,352**

Changes in the loss allowance for trade receivables are mainly due to:

	For the year ended 31 March	
	2020	2019
	Decrease in lifetime ECL Credit-impaired HK$'000	Decrease in lifetime ECL Credit-impaired HK$'000
Settlement in full of trade debtors with a gross carrying amount of HK$647,000 (2019: HK$2,887,000)	**647**	2,887

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for the non-derivative financial liabilities are based on agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the following table also details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

Liquidity table

	Weighted average interest rate	On demand or less than 1 month	1–3 months	3 months to 1 year	1–5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at 31.3.2020
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2020								
Non-derivative financial instruments								
Trade and other payables	–	85,745	28,424	8,961	–	–	123,130	123,130
Bank borrowings	2.24	44,544	–	–	–	–	44,544	44,544
		130,289	28,424	8,961	–	–	167,674	167,674
Lease liabilities	4.38	986	2,905	7,074	19,244	1,404	31,613	29,192
Derivative-net settlement								
Derivative financial instruments	–	382	–	–	–	–	382	382

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

Liquidity table (continued)

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	5 years years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.3.2019 HK$'000
2019								
Non-derivative financial instruments								
Trade and other payables	–	93,224	15,146	11,570	–	–	119,940	119,940
Bank borrowings	2.28	46,508	–	–	–	–	46,508	46,508
		139,732	15,146	11,570	–	–	166,448	166,448
Derivative-net settlement								
Derivative financial instruments	–	152	–	–	–	–	152	152

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 March 2020, the aggregate carrying amounts of these bank loans amounted to HK$44,544,000 (2019: HK$46,508,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be fully repaid nineteen years (2019: twenty years) after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

Maturity Analysis – Bank loans with a repayment on demand clause based on scheduled repayments

	Weighted average interest rate %	**Less than 1 year** HK$'000	**1 – 2 years** HK$'000	**2 – 5 years** HK$'000	**Over 5 years** HK$'000	**Total undiscounted cash outflows** HK$'000	**Carrying amount** HK$'000
31 March 2020	2.24	2,964	2,964	8,893	39,032	53,853	44,544
31 March 2019	2.28	2,997	2,997	8,991	42,453	57,438	46,508

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

33. FINANCIAL INSTRUMENTS (CONTINUED)

(c) FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value on a recurring basis at the end of each reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation technique(s) and inputs used), as well as the level of fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Financial assets	Fair value as at 31.3.2020	Fair value as at 31.3.2019	Fair value hierarchy	Valuation techniques and key inputs
Derivative financial instruments *(note 24)*	Assets – HK$7,000 Liabilities – HK$382,000	Assets – HK$325,000 Liabilities – HK$152,000	Level 2	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates

There were no transfers into and out of Level 2 in the current and prior years.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured in amortised cost in the consolidated financial statements which are not measured at fair value on a recurring basis approximate their fair values at the end of the reporting period.

34. RECONCILIATION OF LIABILITIES ARISING FROM A FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from a financing activities, including both cash and non-cash changes. Liabilities arising from a financing activities are that for which cash flow was, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flow from financing activities.

	Bank borrowings HK$'000	Lease liabilities HK$'000	Dividend payable HK$'000	Total HK$'000
At 1 April 2018	–	–	–	–
Interest accrued	878	–	–	878
Dividends declared	–	–	47,301	47,301
Financing cash flows	45,630	–	(47,301)	(1,671)
At 31 March 2019	46,508	–	–	46,508
Adjustment upon application of HKFRS 16	–	42,818	–	42,818
At 1 April 2019 (restated)	46,508	42,818	–	89,326
Interest accrued	1,022	1,408	–	2,430
New lease entered	–	2,667	–	2,667
Dividends declared	–	–	30,220	30,220
Financing cash flows	(2,986)	(17,691)	(30,220)	(50,897)
Exchange realignment	–	(10)	–	(10)
At 31 March 2020	44,544	29,192	–	73,736

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

35. OPERATING LEASES

THE GROUP AS A LEASEE

During the year ended 31 March 2019, the Group made minimum lease payments of HK$17,926,000 under operating leases in respect of premises.

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows as at 31 March 2019:

	HK$'000
Within one year	18,904
In the second to fifth year inclusive	28,126
Over five years	6,191
	53,221

Operating lease payments represent rentals payable by the Group for certain of its premises. Leases are negotiated for an average term of one to ten years and rentals are fixed over the lease terms.

THE GROUP AS A LESSOR

As at 31 March 2020, properties held for rental purposes have committed lessees for the next 2 years.

Minimum lease payments receivable on leases as at 31 March 2020 are as follows:

	HK$'000
Within one year	**2,715**
In the second year	**695**
	3,410

The Group had contracted with tenants in respect of its investment properties for future minimum lease payments as at 31 March 2019 which fall due as fellow:

	HK$'000
Within one year	2,661
In the second to fifth year inclusive	1,926
	4,587

During the year ended 31 March 2019, operating lease arrangements represent rentals receivable by the Group's premises. Leases are negotiated for an average term of within three years and rentals are fixed over the lease terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

36. CAPITAL AND OTHER COMMITMENTS

	2020 HK$'000	2019 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– Acquisition of property, plant and machinery and right-of-use asset	**11,654**	4,510
– Factory under construction or renovation	**3,886**	1,274
	15,540	5,784
Commitments contracted for but not provided in the consolidated financial statements in respect of license fee for brand names:		
– Within one year	**2,635**	2,375
– In the second to fifth year inclusive	**6,394**	2,547
	9,029	4,922
	24,569	10,706

37. RETIREMENT BENEFITS SCHEMES

Effective from 1 December 2000, the Group has joined the MPF Scheme for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect of the retirement benefit schemes is to make the required contributions under the schemes.

The Group operated a defined contribution retirement benefits scheme ("Defined Contribution Scheme") for certain employees. The assets of the scheme were held in funds under the control of an independent trustee. Where there were employees who leave the Defined Contribution Scheme prior to vesting, the contribution payable by the Group are reduced by the amount of forfeited contributions.

The retirement benefits scheme contribution arising from the Defined Contribution Scheme, the MPF Scheme and the PRC state-managed retirement benefit scheme charged to profit or loss represents contributions paid and payable to the funds by the Group at rates specified in the rules of the schemes.

The total cost charged to profit or loss of HK$43,226,000 (2019: HK$43,606,000) represents contributions paid and payable to these schemes by the Group in respect of the current financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

38. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions and balances with related parties:

(a) RELATED PARTY BALANCES

Details of the outstanding balances with related parties are set out in the consolidated statement of financial position and in notes 23 and 26.

(b) RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with a related party:

Relationship with a related party	**Nature of transaction**	**2020 HK$'000**	2019 HK$'000
An entity controlled by a non-controlling shareholder of a subsidiary	Management fees	**2**	6

(c) COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel of the Group comprised of directors. The compensation of directors of the Company for both years are set out in note 11.

The remuneration of key management personnel were determined by the remuneration committee having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

39. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSET		
Investment in subsidiaries	125,206	111,968
CURRENT ASSETS		
Amounts due from subsidiaries	213,365	253,221
Other assets	350	703
	213,715	253,924
CURRENT LIABILITIES		
Amounts due to subsidiaries	180,914	177,513
Other liabilities	289	223
	181,203	177,736
NET CURRENT ASSETS	32,512	76,188
	157,718	188,156
Share capital	26,278	26,278
Share premium and reserve	131,440	161,878
	157,718	188,156

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

39. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

Movements of the Company's share premium and retained profits are as follows:

(i) SHARE PREMIUM AND RESERVE

	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2018	78,945	82,348	161,293
Profit for the year	–	47,886	47,886
Dividends recognised as distribution *(note 13)*	–	(47,301)	(47,301)
At 31 March 2019	78,945	82,933	161,878
Profit for the year	–	(218)	(218)
Dividends recognised as distribution *(note 13)*	–	(30,220)	(30,220)
At 31 March 2020	78,945	52,495	131,440

40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries of the Company at 31 March 2020 and 2019 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company 2020	2019	Principal activities
Sun Hing Optical International Group Limited *(Note i)*	The BVI	HK$106	**100%**	100%	Investment holding
101 (Hong Kong) Limited	Hong Kong	HK$4	**100%**	100%	Sales of optical frames, sunglasses and related products
101 Studio Limited	Hong Kong	HK$9	**100%**	100%	Sales of optical frames, sunglasses and related products
New Prosperity Optical Manufactory Limited	The BVI/PRC	US$1	**100%**	100%	Property holding
Sun Hing Optical Manufactory Limited	Hong Kong	HK$2	**100%**	100%	Manufacturing and sales of optical frames, sunglasses and related products
Yorkshire Holdings Limited	Hong Kong	HK$10	**100%**	100%	Property holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company 2020	2019	Principal activities
紫金縣新基眼鏡五金配件有限公司 *(Note ii)*	The PRC	HK$100,200,000	**100%**	100%	Manufacturing of optical frames, sunglasses and related products
東莞新溢眼鏡制造有限公司 *(Note ii)*	The PRC	US$34,000,000	**100%**	100%	Manufacturing of optical frames, sunglasses and related products
深圳佰萊德貿易有限公司 *(Note ii)*	The PRC	US$3,000,000	**100%**	100%	Sales of optical frames, sunglasses and related products
廣州市窗外企業管理有限公司 *(Note ii)*	The PRC	RMB4,000,000	**51%**	51%	Sales of optical frames, sunglasses and related products
平頂山新曄眼鏡有限公司 *(Notes ii & iii)*	The PRC	RMB10,000,000	**100%**	–	Manufacturing of optical frames, sunglasses and related products
101 Studio Investment Limited	Hong Kong	HK$2	**100%**	100%	Trademark holding
SHV Holdings Limited	Hong Kong	HK$2	**100%**	100%	Properties holding
101 Studio (Eyecare) Limited	Hong Kong	HK$2	**100%**	100%	Trading of contact lens
Sun Tat Vietnam Optical Company Limited *(Note iii)*	Vietnam	US$4,000,000	**100%**	–	Manufacturing of optical frames, sunglasses and related products

Notes:

(i) Sun Hing Optical International Group Limited is directly held by the Company and all other subsidiaries are indirectly held.

(ii) The subsidiaries established in the PRC are registered as wholly foreign owned enterprises.

(iii) The subsidiaries were incorporated/established during the current year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities subsisting at 31 March 2020 or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

41 EVENTS AFTER THE REPORTING PERIOD

The outbreak of the 2019 Novel Coronavirus ("COVID-19") in the PRC and other countries has had an impact on the Group's operations. The management of the Company considers the adverse impact of the COVID-19 on the production capacity of the Group's production lines in the PRC and other countries is temporary.

The management of the Company is monitoring the financial impact that the COVID-19 will have on the Group's consolidated financial statements as at the date that these financial statements are authorized for issue.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2016	2017	2018	2019	**2020**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	1,077,641	1,067,448	1,001,644	1,223,917	**912,787**
Profit (loss) before tax	63,416	86,688	74,708	84,749	**(165,740)**
Income tax expense	(8,851)	(16,145)	(10,435)	(12,230)	**(79)**
Profit (loss) for the year	54,565	70,543	64,273	72,519	**(165,819)**
Profit (loss) for the year attributable to:					
Owners of the Company	55,440	70,903	64,055	72,124	**(165,913)**
Non-controlling interests	(875)	(360)	218	395	**94**
	54,565	70,543	64,273	72,519	**(165,819)**

ASSETS AND LIABILITIES

	At 31 March				
	2015	2016	2018	2019	**2020**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	1,125,204	1,110,201	1,127,798	1,213,295	**1,032,741**
Total liabilities	(200,239)	(178,053)	(189,902)	(259,446)	**(277,240)**
Shareholders' equity	924,965	932,148	937,896	953,849	**755,501**
Attributable to:					
Owners of the Company	924,762	932,374	937,817	953,417	**755,085**
Non-controlling interests	203	(226)	79	432	**416**
	924,965	932,148	937,896	953,849	**755,501**

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Ku Ngai Yung, Otis – *Chairman*
Ku Ka Yung – *Deputy Chairman*
Chan Chi Sun
Ma Sau Ching

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lo Wa Kei, Roy
Lee Kwong Yiu
Wong Che Man, Eddy

COMPANY SECRETARY

Lee Kar Lun, Clarence

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISER IN HONG KONG

King & Wood Mallesons

LEGAL ADVISER ON BERMUDA LAW

Conyers Dill & Pearman

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PRINCIPAL SHARE REGISTRAR

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Clarendon House, 2 Church Street
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HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited
Suites 3301–04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Bank of Tokyo-Mitsubishi UFJ, Limited
Citibank, N.A.
Chong Hing Bank Limited

WEBSITE

www.sunhingoptical.com

SUN HING VISION GROUP HOLDINGS LIMITED
新興光學集團控股有限公司

Stock Code 股份代號：125
www.sunhingoptical.com